



Annual Report 2014

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238 Branches in 122 cities



Annual Report 2014

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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 our 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.

Company Information

Board of Directors

Mr. Jahangir Siddiqui
Chairman

Mr. Ashraf Nawabi
Independent Director

Mr. Shahab Anwar Khawaja
Independent Director

Mr. G.M. Sikander
Independent Director

Mr. Mazharul Haq Siddiqui
Non-Executive Director

Mr. Adil Matcheswala
Non-Executive Director

Mr. Kalim-ur-Rahman
Non-Executive Director

President & Chief Executive Officer

Mr. Khalid Imran

Audit Committee

Mr. Shahab Anwar Khawaja
Chairman

Mr. Jahangir Siddiqui
Member

Mr. Adil Matcheswala
Member

Human Resource & Remunerations Committee

Mr. Jahangir Siddiqui
Chairman

Mr. Mazharul Haq Siddiqui
Member

Mr. Kalim-ur-Rahman
Member

Mr. Khalid Imran
Member

Risk Management Committee

Mr. Jahangir Siddiqui
Chairman

Mr. Ashraf Nawabi
Member

Mr. Adil Matcheswala
Member

Mr. Khalid Imran
Member

Chief Financial Officer

Mr. Muhammad Yousuf Amanullah

Company Secretary

Mr. Ashraf Shahzad

Auditors

M. Yousuf Adil Saleem & Co.
Chartered Accountants
(Member firm of Deloitte
Touche Tohmatsu)

Legal Advisors

Haidermota BNR
Bawaney & Partners
Liaquat Merchants 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
UAN: +92 21 111 JS Bank (572-265)
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www.jsbl.com



Directors' Profile

Mr. Jahangir Siddiqui

Chairman

Mr. Jahangir Siddiqui is one of Pakistan's leading entrepreneurs. He established JS Group in 1970 and grew it to be one of Pakistan's largest conglomerates. He retired as CEO of JS Group in 1999 and has since advised and chaired the boards of some key group companies. While he was operationally leading JS Group, he was responsible for establishing joint ventures with leading global firms including in investment banking with Bear Stearns & Co. Inc. and IFC, in asset management with Invesco plc and IFC, in health insurance with Allianz AG and in Islamic banking with Dubai Bank PJSC.

He has been appointed by the Government of Pakistan as a member of the boards of a number of Government bodies including the Privatisation Commission, Economic Advisory Board and the Exchange Reforms Committee. As a member of the Exchange Reforms Committee he was crucial in developing the plan through which Pakistan's capital markets were opened up to foreign investors in the early 1990s.

Mr. Siddiqui served as President of the Karachi Stock Exchange for two terms. During his terms he was able to introduce key initiatives including the establishment of the Central Depository Company of Pakistan to make securities settlements scrip-less and the modernization of the exchange's trading systems.

He dedicates a significant amount of time to philanthropic activities. In addition to his own substantial charitable grant making through his family foundations, he works with a number of other philanthropic organizations whose causes he supports. As Chairman of the Board of Trustees of the Endowment Fund Trust for Preservation of the Heritage of Sindh, he is responsible for the preservation of heritage and culture in Sindh province.

He holds a Bachelor's Degree in Commerce from the University of Sindh.

Mr. Mazharul Haq Siddiqui

Director

Mr. Mazharul Haq Siddiqui is a Non- Executive Director and also a member of Human Resource & Remuneration Committee. He retired from the Pakistan Civil Service after a distinguished career as a civil servant and educationist. He has held many senior positions with the Government of Pakistan and in the corporate sector, including Chairman of Hum Network Limited and National Insurance Corporation Limited.

Mr. Siddiqui joined the Income Tax Department in 1957 through the Central Superior Services competitive examination and served in various capacities including as the Commissioner of Income Tax. He served the Provincial Government of Sindh as Secretary Education, Finance and Services and General Administration Departments. He has served the Federal Government as Secretary Establishment, Education, Management Services, Economic Affairs & Statistics and Youth Affairs Departments. Mr. Siddiqui was Vice Chancellor of Sindh University for three terms of four years each. In recognition of his services to education, administration and management he was awarded 'Sitara-i-Imtiaz' by the President of Pakistan in 2005.

He holds a Masters degree in Defence and Strategic Studies from Quaid-e-Azam University, Islamabad.

Mr. Ashraf Nawabi

Director

Mr. Ashraf Nawabi is an Independent Director and also the member of Risk Management Committee of the Bank.

Mr. Ashraf Nawabi is a senior banker over 40 years of experience. He was a founder of Prime Commercial Bank Limited and remained on its Board of Directors for three years. Since 1990, he has been the Advisor to Emirates NBD Bank PJSC which is the largest UAE Bank. Since 1989, he has also been one of the major shareholders and Director of Alliance Insurance Co. PSC in Dubai. For five years he was the Director of Union National Bank PJSC, the fourth largest Bank in the UAE. Prior to joining Emirates NBD Bank, he was the Chief Executive Officer of United Bank Limited – Middle East for seven years.

Mr. Nawabi is also a Director and Chief Executive Officer of First Jamia Services Limited in Lahore and L & N (Private) Limited in Karachi since 1991 and 2006 respectively. Both institutions provide education related services.

He graduated from the University of Karachi.

Mr. Shahab Anwar Khawaja

Director

Mr. Shahab Anwar Khawaja is an Independent Director and also the Chairman of the Audit Committee. Mr. Khawaja was a senior civil servant and served the Government of Pakistan in various capacities for 36 years. He retired as Federal Secretary of Ministry of Privatisation.

As Secretary he supervised the Privatisation Ministry and Commission. He also served as Secretary of the Privatisation Board and was responsible for transacting the entire privatisation program of public sector enterprises in the country. He has served as CEO of the Competiveness Support Fund – a JV of Government of Pakistan & USAID.

As CEO of Small and Medium Enterprises Development Authority (SMEDA), he managed all federal government support initiatives to this very large sector of the economy. During these years a number of developments were achieved to help SME growth especially for higher value addition through the acquisition of improved technology. Mr. Khawaja currently serves as the Executive Director of Fertilizer Manufactures Association of Pakistan.

He holds a Master of Science degree in Chemistry and holds Post Graduate Diploma in Development Administration, Birmingham University, UK.

Mr. Adil Matcheswala

Director

Mr. Adil Matcheswala is a Non- Executive Director and also a member of the Audit and Risk Management Committees. He is the CEO and founding Director of Speed (Private) Limited, a company incorporated in Pakistan that is a large retailer and distributor for a number of leading international brands such as Nike, Tag Heuer and Timex.

Mr. Matcheswala started his professional career in the financial services industry in 1992 and until 2002 was the Head of the



Equity Sales Division of Jahangir Siddiqui & Co. Ltd. and Bear Stearns Jahangir Siddiqui Limited.

He has previously served as the Chairman of the Board and Chairman of the Audit Committee of JS Global Capital Ltd. as well as a Director of the BSJS Balanced Fund Ltd.

He graduated from Brown University with an A.B. in Economics.

Mr. Kalim-ur-Rahman

Director

Mr. Kalim-ur-Rahman was formerly President & CEO of JS Bank Limited. He is a Non-Executive Director and also a member of the Human Resource & Remuneration Committee. He holds Director's certification from the Pakistan Institute of Corporate Governance as well as the Institute of Directors in London.

Mr. Rahman is a seasoned banker with 50 years of experience in both international and domestic banking. He has served in various leading international and domestic banks, including Grindlays Bank PLC in the UK and Pakistan, Middle East Bank Ltd. in the UAE and Pakistan as General Manager of South Asia, Emirates Investment Bank in the UAE as General Manager and Askari Commercial Bank in Pakistan as President and CEO.

He did his Senior Cambridge from Burn Hall School and B.Sc. (Hons) from Government College, Lahore. He had a first class academic career throughout, and his name is inscribed on the College Role of Honor. He is a Fellow of the Institute of Bankers in Pakistan as well as the Institute of Chartered Secretaries and Managers, Pakistan.

Mr. G.M. Sikander

Director

Mr. G.M Sikander is an Independent Director. He has been a career civil servant having served the Government of Pakistan in various capacities for 39 years. He retired as Federal Secretary of the Housing and Works Division.

He has served as Assistant Commissioner and Deputy Commissioner in various districts of Punjab and contributed significantly towards social sector development. While serving as Deputy Commissioner of Kasur he single handedly established a public school on self-help basis which has now become a Degree College with almost 5,000 students.

Mr. Sikander has previously served as Secretary to the Government of the Punjab and NWFP provinces and headed the departments of Services, Establishment, Information & Tourism, Housing & Physical Planning, Baitul Maal, Social Security and Cooperatives. He also served as Principal Secretary to five Chief Ministers in the Punjab for a record period of almost 10 years.

After retirement, he serves as a Director and Chairman of the Audit Committee on the Board of Directors of National Fertilizer Marketing Limited. He is also a Trustee of the Hamza Foundation in Lahore which is a foundation dedicated to supporting and educating deaf and mute students. He is also a Life Trustee of the Marafi Foundation in Kuwait which is engaged in the development of public health and education sectors in Gilgit Baltistan.

Mr. Sikander received his M.A. in Political Science from Punjab University and completed a Diploma in Development Administration

from the University of Birmingham. He has also done the advanced National Management Course from the then PASC Lahore and a special course in Development Administration from NIPA Lahore for DMG officers.

Mr. Khalid Imran
President and CEO

Mr. Khalid Imran is the President and CEO of JS Bank Limited.

He has 40 years of diversified banking experience in domestic and foreign banks. He started his career with BCCI, where he worked for 16 years in different capacities where he was Joint General Manager of the Middle East Region. He then worked for Commercial Bank of Dubai PJSC. On his return to Pakistan in 1991, he was a member of the core team which established Prime Commercial Bank Limited. He served Prime Bank in the capacity of Senior Executive Vice President and continued with Prime Bank through its acquisition by and merger into ABN Amro Bank in Pakistan and the subsequent acquisition of ABN Amro Bank in Pakistan by Royal Bank of Scotland. He joined JS Bank in 2012.

He received his BBA (Hons) and his MBA from Karachi University.



Corporate Social Responsibility

JS Bank is deeply committed to Corporate Social Responsibility and it contributes both financial and human resources towards supporting the Mahvash & Jahangir Siddiqui Foundation (MJSF).

Mr. Jahangir Siddiqui and his wife Mrs. Mahvash Siddiqui, a former college professor, established MJSF in 2003. The foundation is a non-profit, non-partisan charity that focuses on education, healthcare, sustainable development through social enterprise and humanitarian/disaster relief. The foundation is registered with Pakistan Centre of Philanthropy and Pakistan Red Crescent Society. MJSF is audited annually by KPMG Taseer Hadi & Co., a member firm of KPMG (Worldwide/LLP).

In achieving its mission, the foundation has also partnered with leading international NGOs including various United Nations agencies including World Food Program, UNOCHA and UN Habitat for Humanity, Oxfam International, Walkabout Foundation, International Organization for Migration and various international and local universities and foundations for education, disability and healthcare.

Education

MJSF's educational programs focus on:

- Higher education
- Mainstream education including schools for children with special needs
- Vocational training
- Specialized programs

MJSF has provided grants to leading educational institutions of Pakistan, including Lahore University of Management, Karachi School for Business and Leadership and Institute of Business Administration in Karachi. The foundation also offers subsidized and full scholarships for children through JS Academy for the Deaf, Fakhr-e-Imdad Foundation schools and various other schools in both rural and urban areas.

In addition, MJSF provides funding for a broad range of education institutions such as IBA Sukkur and Progressive Education Network in Lahore. Furthermore, MJSF has also established a vocational training center, Karigar Training Institute in Karachi and hopes to replicate the model nationwide.

Many students have also benefitted from the Qarz-e-Hasana scheme of the foundation to pursue higher education in national and international universities. The foundation also provides individual support to less privileged individuals for access to a better education.

In 2014, a notable major grant project of PKR 200 Million was completed at the Institute of Business Administration, City Campus Karachi to build a state-of-the-art auditorium.

Healthcare

MJSF has a deep commitment to public health and supports the existing hospitals and medical facilities by:

- Upgrading and adding specialist wards
- Developing healthcare facilities in rural areas
- Providing mobile health care in difficult to access areas
- Running eye camps in rural areas
- Running medical camps in rural areas
- Distribution of specialized wheelchairs in partnership with Walkabout Foundation

MJSF is linked with numerous projects and organizations in the health care sector including Sindh Institute of Urology and Transplantation, Karachi National Hospital, National Institute of Cardiovascular Diseases, National Institute of Child Health and other notable institutions.

Social Enterprises and Sustainable Development (SESD)

The SESD program funds projects that are economically productive and sustainable which remove or reduce the need for ongoing grants.

MJSF has a long established partnership with Acumen (formerly known as Acumen Fund). Through this partnership, the foundation, to date, has contributed the equivalent of US\$ 2,000,000 to Acumen. Since 2001, Acumen has actively invested in Pakistan in building social enterprises. MJSF is also a sponsor of the Acumen Pakistan Fellows Program, a one-year program designed for people leading social change initiatives dedicated to addressing Pakistan's most critical poverty problems.

The foundation has also ventured into extending micro-finance facilities for farmers in Chitral that produce high quality onion seeds to increase their incomes. Furthermore, a comprehensive annual Ramadan meal campaign is also held across Pakistan every year through JS Bank branches to facilitate the underprivileged with iftar. This initiative acts as a catalyst for JS Bank staff to interact with local communities and also to provide on ground support to MJSF for its projects.



Emergency/Disaster Relief

MJSF has a strong focus on humanitarian relief. Its activities focus on immediate relief in disasters as well as long-term rehabilitation.

MJSF has contributed with a large-scale response in the following years:

- 2005 - Earthquake in Azad Jammu & Kashmir (AJK) and Khyber-Pakhtunkhwa Province
- 2008 - Swat Conflict and related Internally Displaced Persons crisis
- 2010 - Super Flood
- 2014 - Thar Drought crisis

MJSF is committed to providing a rapid response to natural disaster and emergencies by mobilizing its financial resources in coordination with the human resources of various JS Group companies to provide immediate food aid, shelter and healthcare.

In partnership with the International Organization for Migration, the foundation has also initiated a reconstruction project constructing 250 homes in three flood-affected districts in Sindh province. As part of the first phase, 150 shelters have been constructed in Southern Sindh and remaining 100 shelters are currently under construction in Northern Sindh. Additionally, another project of 15 houses has been completed in Northern Sindh.

Notice of Ninth Annual General Meeting

Notice is hereby given that the Ninth Annual General Meeting of the shareholders of JS Bank Limited (the "Bank") will be held on Friday, March 27, 2015 at 9:30 am at Defence Hall, Defence Authority Creek Club, Karachi to transact the following business.

ORDINARY BUSINESS:

1. To receive, consider and adopt the Annual Audited Standalone and Consolidated Financial Statements of the Bank for the year ended December 31, 2014 together with the Directors' and Auditors' Reports thereon.
2. To appoint Auditors of the Bank for the year ending December 31, 2015 till the conclusion of the next Annual General Meeting and to fix their remuneration. The retiring auditors M/s. M. Yousuf Adil Saleem & Co. Chartered Accountants, a member firm of Deloitte Touche Tohmatsu, being eligible, have offered themselves for re-appointment.
3. To consider and approve cash dividend @ 12% p.a. subject to deduction of tax, to the Preference Shareholders for the year ended December 31, 2014, as recommended by the Board of Directors.

SPECIAL BUSINESS:

4. To approve the remuneration paid to the Directors of the Bank for attending Board and Board's Sub-Committees meetings on post facto basis in terms of Prudential Regulation No. G-1 C(2) by passing the following ordinary resolution:

"RESOLVED that the remuneration of PKR 100,000/- per meeting for the Directors of the Bank for attending Board meeting and PKR 50,000/- for attending Board's Sub-Committees meeting be and is hereby approved."

5. **Investment in EFU Life Assurance Limited**

To consider and if thought fit to pass the following resolutions as Special Resolutions with or without any modifications, addition or deletion:

"RESOLVED that JS Bank Limited ("Company") be and is hereby authorized under Section 208 of the Companies Ordinance, 1984 to make long term equity investment not exceeding PKR 500 million (Rupees Five Hundred Million) by way of purchase of upto 3,500,000 Ordinary Shares of EFU Life Assurance Limited, an associated company, from time to time from the secondary market at the prevailing market price not exceeding PKR 195/- per share subject to compliance with all legal requirements.

FURTHER RESOLVED that the above Special Resolution shall be valid for a period of three years from the date of passing of the said Special Resolution.



FURTHER RESOLVED that any two of the Chief Executive Officer, Chief Financial Officer and Group Head Treasury, IBG & FI ('Authorized Persons') of the Company be and are hereby jointly authorized and empowered on behalf of the Company to take all steps and actions necessary, ancillary and incidental for the acquisition of shares of EFU Life Assurance Limited and to do all acts, matters, deeds and things as may be necessary or expedient for the purpose of giving effect to the special resolution in letter and spirit.

FURTHER RESOLVED that subsequent to making the equity investments, any two of the Authorized Persons be and are hereby jointly authorized to dispose of, through any mode, a part of or all of the equity investments made by the Company from time to time as and when deemed appropriate and necessary in the best interests of the Company."

6. Investment in EFU General Insurance Limited

To consider and if thought fit to pass the following resolutions as Special Resolutions with or without any modification, addition or deletion:

"RESOLVED that JS Bank Limited ("Company") be and is hereby authorized under Section 208 of the Companies Ordinance, 1984 to make long term equity investment not exceeding PKR 500 million (Rupees Five Hundred Million) by way of purchase of 4,460,000 Ordinary Shares of EFU General Insurance Limited, an associated company, from time to time from the secondary market at the prevailing market price not exceeding PKR 160/- per share subject to compliance with all legal requirements.

FURTHER RESOLVED that the above Special Resolution shall be valid for a period of three years from the date of passing of the said Special Resolution.

FURTHER RESOLVED that any two of the Chief Executive Officer, Chief Financial Officer and Group Head Treasury, IBG & FI of the Company be and are hereby jointly authorized and empowered on behalf of the Company to take all steps and actions necessary, ancillary and incidental for the acquisition of shares of EFU General Insurance Limited and to do all acts, matters, deeds and things as may be necessary or expedient for the purpose of giving effect to the special resolution, in letter and spirit.

FURTHER RESOLVED that subsequent to making the equity investments, any two of the Authorized Persons be and are hereby jointly authorized to dispose of, through any mode, a part of or all of the equity investments made by the Company from the time to time as and when deemed appropriate and necessary in the best interests of the Company."

7. Investment in JS Investments Limited.

To consider and if thought fit to pass the following resolutions as Special Resolutions with or without any modification, addition or deletion:

"RESOLVED that JS Bank Limited ("Company") be and is hereby authorized under Section 208 of the Companies Ordinance, 1984 to make long term equity investment not exceeding PKR 500 million (Rupees Five Hundred Million) for purchase of 42,760,000 Ordinary Shares of JS Investments Limited (JSIL), a subsidiary company, from time to time from the secondary market at the prevailing market price not exceeding PKR 15/- per share subject to compliance with all legal requirements.

FURTHER RESOLVED that the above Special Resolution shall be valid for a period of three years from the date of passing of the said Special Resolution.

FURTHER RESOLVED that any two of the Chief Executive Officer, Chief Financial Officer and Group Head Treasury, IBG & FI ('Authorized Persons') of the Company be and are hereby authorized and empowered on behalf of the Company to take all steps and actions necessary, ancillary and incidental for the acquisition of shares of JSIL and to do all acts, matters, deeds and things as may be necessary or expedient for the purpose of giving effect to the special resolution in letter and spirit.

FURTHER RESOLVED that subsequent to making the equity investments, any two of Authorized Persons be and are hereby jointly authorized to dispose of, through any mode, a part of or all of the equity investments made by the Company from time to time as and when deemed appropriate and necessary in the best interests of the Company."

8. Investment in JS Global Capital Limited.

To consider and if thought fit to pass the following resolutions as Special Resolutions with or without any modification, addition or deletion:

"RESOLVED that JS Bank Limited ("Company") be and is hereby authorized under Section 208 of the Companies Ordinance, 1984 to make long term equity investment not exceeding PKR 500 million (Rupees Five Hundred Million) for purchase of 16,000,000 Ordinary Shares of JS Global Capital Limited (JSGCL), a subsidiary company, from time to time from the secondary market at the prevailing market price not exceeding PKR 45/- per share subject to compliance with all legal requirements.

FURTHER RESOLVED that the above Special Resolution shall be valid for a period of three years from the date of passing of the said Special Resolution.

FURTHER RESOLVED that any two of the Chief Executive Officer, Chief Financial Officer and Group Head Treasury, IBG & FI ('Authorized Persons') of the Company be and are hereby authorized and empowered on behalf of the Company to take all steps and actions necessary, ancillary and incidental for the acquisition of shares of JSGCL and to do all acts, matters, deeds and things as may be necessary or expedient for the purpose of giving effect to the special resolution in letter and spirit.

FURTHER RESOLVED that subsequent to making the equity investments, any two of Authorized Persons be and are hereby jointly authorized to dispose of, through any mode, a part of or all of the equity investments made by the Company from time to time as and when deemed appropriate and necessary in the best interests of the Company.

Karachi: March 05, 2015

For and on behalf of the Board,

Ashraf Shahzad
Company Secretary



Notes:

1. Share transfer books of the Bank will remain closed from March 20, 2015 to March 26, 2015 (both days inclusive). Transfers received in order at Bank's Independent Share Registrar, Technology Trade (Pvt.) Limited, Dagia House, 241-C, Block 2, PECHS, Karachi at the close of business on March 19, 2015 will be treated in time for purposes of payment of the cash dividend (subject to approval of the members) and to attend and vote at 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 Bank.
5. Shareholders are requested to notify immediately for any change in their address.

6. Notice to Shareholders who have not provided CNIC:

The directive of the Securities and Exchange Commission of Pakistan contained in S.R.O. 831(I)/2012 dated 5 July 2012 requires that the dividend warrants should bear the Computerized National Identity Card Numbers (CNIC) of the registered shareholders or the authorized person except in the case of minor(s) and corporate shareholders. CNIC number of the shareholders is, therefore, mandatory for the issuance of dividend warrants and in the absence of such information, payment of dividend may be withheld in term of SECP's above mentioned directive. Therefore, the shareholders who have not yet provided their CNICs are advised to provide the attested copies of their CNICs (if not already provided) directly to our Independent Share Registrar at the address given herein above without any further delay.

7 Placement of Financial Statements

The Bank has placed the annual Audited Financial Statements for the year ended December 31 2014, along with the Auditors and Directors Reports on its website: www.jsbl.com.

8. Mandate for E-DIVIDENDS for shareholders

In order to make the process of payment of cash dividend more efficient, e-dividend mechanism has been envisaged where shareholders can get amount of dividend credited into their respective bank accounts electronically without any delay. In this way, dividends may be instantly credited to respective bank accounts and there are no chances of dividend warrants getting lost in the post, undelivered or delivered to the wrong address, etc. The Securities and Exchange Commission of Pakistan (SECP) through Notice No. 8(4) SM/CDC 2008 dated 5 April 2013 has advised all Listed Companies to adopt e-dividend mechanism. In view of the above, you are hereby encouraged to provide a dividend mandate in favour of e-dividend by providing dividend mandate form duly filled in and signed.

9. Deduction of Income Tax from Dividend at Revised Rates

Pursuant to the provisions of the Finance Act, 2014, deduction of income tax from dividend payments shall be made on the basis of filers and non-filers as follows:

S.No.	Nature of Shareholders	Rate of deduction
1	Filers of Income Tax Return	10%
2	Non- Filers of Income Tax Return	15%

Income Tax will be deducted on the basis of Active Tax Payers List posted on the Federal Board of Revenue website.

Members seeking exemption from deduction of income tax or are eligible for deduction at a reduced rate are requested to submit a valid tax certificate or necessary documentary evidence, as the case may be.



Statement under section 160 (1) (b) of the Companies Ordinance, 1984

This statement sets out the material facts pertaining to the special business to be transacted at the Annual General Meeting of JS Bank Limited (the “Bank”) to be held on March 27, 2015.

To approve the remuneration paid to the Directors of the Bank for attending Board and Board’s Sub-Committees meetings:

The remuneration paid to Directors was approved by the Board of Directors in terms of Article 64 of the Articles of Association of the Bank. The remuneration requires approval (which is permissible on post facto basis) of the shareholders in the Annual General Meeting in accordance with the requirements of the Prudential Regulations (Regulation G 1 C(2)) issued by the State Bank of Pakistan.

Investment in EFU Life Assurance Limited

- a. The Board of Directors of the Bank in their meeting held on February 24, 2015 resolved to make equity investments in the associated company, EFU Life Assurance Limited, subject to the consent and approval of members under Section 208 of the Companies Ordinance, 1984.
- b. EFU Life Assurance Limited is an associated company of the Bank by virtue of common directorship of Mr. Jahangir Siddiqui.
- c. JSBL intends to acquire up to 3,500,000 ordinary shares from the secondary market at the prevailing market price not exceeding PKR 195 per share for an amount not exceeding PKR 500 million.
- d. Except for the common directorship of Mr. Jahangir Siddiqui, the directors, sponsors, majority shareholders of the Bank and their relatives have no vested interest, directly or indirectly, in EFU Life Assurance Limited and the proposed investment therein, except to the extent of their/spouses' shareholdings in the investee company.
- e. The directors submit that they have carried out the necessary due diligence for the proposed investment in EFU Life Assurance Limited. The duly signed recommendation of the due diligence report and latest audited and reviewed financial statements of EFU Life Assurance Limited will be available to the members for inspection in the Annual General Meeting to be held on March 27, 2015.
- f. EFU Life Assurance Limited has no interest in the Bank, except that it is an associate company of the Bank. The directors, sponsors and majority shareholders of EFU Life Assurance Limited have no interest except to the extent of their/spouses' shareholdings, if any in the Bank.

Information Required under Regulation 3 (1) (a) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012:

S.No.	Description	Information Required	
1	Name of associated company.	EFU Life Assurance Limited.	
2	Criteria for Associated relationship.	Common directorship.	
3	Purpose, benefit and period of Investment.	Strategic long-term investment for the benefit of the Bank and to earn dividend and capital appreciation in the long run.	
4	Maximum amount of Investment.	Upto PKR 500 million.	
5	Maximum price at which securities to be acquired.	Upto PKR 195 per share.	
6	Maximum number of securities to be acquired.	Upto 3,500,000 shares.	
7	Number of securities and percentage thereof held before and after the proposed investment.	Present shareholding: Nil shares. Shareholding after the proposed investment: 3,500,000 shares. %age after proposed investment: 3.50%.	
8	Average of the preceding 12 weekly average price of the security intended to be acquired.	PKR 167.54 (from Nov 12, 2014 to Feb 12, 2015).	
9	Break-up value of securities intended to be acquired on the basis of the latest audited financial statements.	PKR 25.33 per share as per audited financial statements as on Dec 31, 2013.	
10	Earnings per share of the associated company for the last 3 years:	Sept 30, 2014 Dec 31, 2013 Dec 31, 2012	PKR 5.75 PKR 9.29 PKR 10.75
11	Sources of funds from which securities will be acquired:	Own funds and borrowings.	
	a) Justification for investment through borrowings.	The gains/returns/dividend are expected to be higher than the cost of funds.	
	b) Details of guarantees & assets pledged for obtaining such funds.		



S.No.	Description	Information Required
12	Salient features of all agreements entered into with the associated company or associated undertaking or with the financial institution (s) with regards to proposed transfer of liabilities.	Purchase of shares is from the secondary market. Therefore, this is not applicable.
13	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives in the associated company and the proposed transaction.	Except for the common directorship of Mr. Jahangir Siddiqui, the Directors, sponsors, majority shareholders of the Bank and their relatives have no vested interest in the associated company or the proposed investment except to the extent of their and their spouses' shareholdings in the associated company, if any.

Investment in EFU General Insurance Limited

- a. The Board of Directors of the Bank in their meeting held on February 24, 2015 resolved to make equity investments in the associated company, EFU General Insurance Limited subject to the consent and approval of the members under Section 208 of the Companies Ordinance, 1984.
- b. EFU General Insurance Limited is an associated undertaking of the Bank by virtue of common directorship of Mr. Jahangir Siddiqui.
- c. The Bank intends to acquire up to 4,460,000 ordinary shares from the secondary market at the prevailing market price not exceeding PKR 160/- per share for an amount not exceeding PKR 500 million.
- d. Except for the common directorship of Mr. Jahangir Siddiqui, the directors, sponsors, majority shareholders of the Bank and their relatives have no vested interest, directly or indirectly, in EFU General Insurance Limited and the proposed investment therein, except to the extent of their/spouses' shareholdings in the investee company.
- e. The directors submit that they have carried out the necessary due diligence for the proposed investment in EFU General Insurance Limited. The duly signed recommendation of the due diligence report and latest audited and reviewed financial statements of EFU General Insurance Limited will be available to the members for inspection in the Annual General Meeting to be held on March 27, 2015.
- f. EFU General Insurance Limited has no interest in the Bank except that it is an associated company of the Bank. The directors, sponsors and majority shareholders of EFU General Insurance Limited have no interest except to the extent of their/spouses' shareholdings, if any in the Bank.

Information Required under Regulation 3 (1) (a) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012:

S.No.	Description	Information Required	
1	Name of associated company.	EFU General Insurance Limited.	
2	Criteria for Associated relationship.	Common directorship.	
3	Purpose, benefit and period of Investment.	Strategic long-term investment for the benefit of the Bank and to earn dividend and capital appreciation in the long run.	
4	Maximum amount of Investment.	Upto PKR 500 million.	
5	Maximum price at which securities to be acquired.	Upto PKR 160/- per share.	
6	Maximum number of securities to be acquired.	Upto 4,460,000 shares.	
7	Number of securities and percentage thereof held before and after the proposed investment.	Present shareholding: Nil shares. Shareholding after the proposed investment: 4,460,000 shares. %age after proposed investment: 2.79%.	
8	Average of the preceding 12 weekly average price of the security intended to be acquired.	PKR 154.39 (from Nov 12, 2014 to Feb 12, 2015).	
9	Break-up value of securities intended to be acquired on the basis of the latest audited financial statements.	PKR 95.26 per share as per audited financial statements as on Dec 31, 2013.	
10	Earnings per share of the associated company for the last 3 years:	Sept 30, 2014 Dec 31, 2013 Dec 31, 2012	PKR 7.22 PKR 11.14 PKR 12.83
11	Sources of funds from which securities will be acquired:	Own funds and borrowings.	
	a) Justification for investment through borrowings.	The gains/returns/dividend are expected to be more than the cost of funds.	
	b) Details of guarantees & assets pledged for obtaining such funds.		



S.No.	Description	Information Required
12	Salient features of all agreements entered into with the associated company or associated undertaking or with the financial institution (s) with regards to proposed transfer of liabilities.	Purchase of shares is from the secondary market. Therefore, this is not applicable.
13	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives in the associated company and the proposed transaction.	Except for the common directorship of Mr. Jahangir Siddiqui, the Directors, sponsors, majority shareholders of the Bank and their relatives have no vested interest in the associated company or the proposed investment except to the extent of their and their spouses' shareholdings in the associated company, if any.

Investment in JS Investments Limited

- a. The Board of Directors of the Bank in their meeting held on February 24, 2015 resolved to make equity investments in the associated company, JS Investments Limited (JSIL) subject to the consent and approval of members under Section 208 of the Companies Ordinance, 1984.
- b. JSIL is a subsidiary of the Bank with an existing investment of 52,236,978 shares which represents 52.24% of the total paid-up capital of the JSIL.
- c. The Bank intends to make further investment and acquire up to 42,760,000 ordinary shares from the secondary market at the prevailing market price not exceeding PKR 15 per share for an amount not exceeding PKR 500 million.
- d. The directors, sponsors, majority shareholders of the Bank and their relatives have no vested interest, directly or indirectly, in JSIL and the proposed investment therein, except to the extent of their/spouses' shareholdings in the investee company.
- e. The directors submit that they have carried out the necessary due diligence for the proposed investment in JSIL. The duly signed recommendation of the due diligence report and latest audited and reviewed financial statements of JSIL will be available to the members for inspection in the Annual General Meeting to be held on March 27, 2015.
- f. JSIL has no interest in the Bank except that it is a subsidiary of the Bank. The directors / sponsors of JSIL have no interest in the Bank except to the extent of their/spouses' shareholdings, if any, in the Bank.

Information Required under Regulation 3(1)(a) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012:

S.No.	Description	Information Required	
1	Name of associated company.	JS Investments Limited.	
2	Criteria for Associated relationship.	Subsidiary Company.	
3	Purpose, benefit and period of Investment.	Strategic long-term investment for the benefit of the Bank and to earn dividend and capital appreciation in the long run.	
4	Maximum amount of Investment.	Upto PKR 500 million.	
5	Maximum price at which securities to be acquired.	PKR 15 per share.	
6	Maximum number of securities to be acquired.	42,760,000 shares.	
7	Number of securities and percentage held before and after the proposed investment.	Present shareholding: 52,236,978 shares %age: 52.24% Shareholding after proposed investment: 94,996.978 shares. %age after proposed investment: 95%	
8	Average of the preceding 12 weekly average price of the security intended to be acquired.	PKR 13.50 (from Nov 12, 2014 to Feb 12, 2015).	
9	Break-up value of securities intended to be acquired on the basis of the latest audited financial statements.	PKR 24.50 per share as per audited financial statements as on Dec 31, 2014.	
10	Earnings per share of the associated company for the last 3 years:	Dec 31, 2014	PKR 6.49
		Dec 31, 2013	PKR 5.98
		Dec 31, 2012	PKR 2.03
11	Sources funds from which securities will be acquired:	Own funds and borrowings.	
	a) Justification for investment through borrowings.	The gains/returns/dividend are expected to be higher than the cost of funds.	
	b) Details of guarantees & assets pledged for obtaining such funds		



S.No.	Description	Information Required
12	Salient features of all agreements entered into with the associated company or associated undertaking or with the financial institution (s) with regards to proposed transfer of liabilities.	Purchase of shares is from the secondary market. Therefore, this is not applicable.
13	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives in the associated company and the proposed transaction.	The Directors, sponsors, majority shareholders of the Bank and their relatives have no vested interest in the associated company or the proposed investment except to the extent of their and their spouses' shareholdings in the associated company, if any.

Investment in JS Global Capital Limited

- a. The Board of Directors of the Bank in their meeting held on February 24, 2015 resolved to make equity investments in the associated company, JS Global Capital Limited (JSGCL), subject to the consent and approval of members under Section 208 of the Companies Ordinance, 1984.
- b. JSGCL is a subsidiary of the Bank with an existing investment of 25,525,169 shares which represents 51.05%% of the total paid-up capital of the JSGCL.
- c. The Bank intends to make further investment and acquire up to 16,000,000 ordinary shares from the secondary market at the prevailing market price not exceeding PKR 45 per share for an amount not exceeding PKR 500 million.
- d. The directors, sponsors, majority shareholders of the Bank and their relatives have no vested interest, directly or indirectly, in JSGCL and the proposed investment therein, except to the extent of their/spouses' shareholdings in the investee company.
- e. The directors submit that they have carried out the necessary due diligence for the proposed investment in JSGCL. The duly signed recommendation of the due diligence report and latest audited and reviewed financial statements of JSGCL will be available to the members for inspection in the Annual General Meeting to be held on March 27, 2015.
- f. JSGCL has no interest in the Bank except that it is a subsidiary of the Bank. The directors / sponsors of JSGCL have no interest in the Bank except to the extent of their/spouses' shareholdings, if any, in the Bank.

Information Required under Regulation 3(1)(a) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012:

S.No.	Description	Information Required	
1	Name of associated company.	JS Global Capital Limited.	
2	Criteria for Associated relationship.	Subsidiary Company.	
3	Purpose, benefit and period of Investment.	Strategic long-term investment for the benefit of the Bank and to earn dividend and capital appreciation in the long run.	
4	Maximum amount of Investment.	Upto PKR 500 million.	
5	Maximum price at which securities to be acquired.	PKR 45 per share.	
6	Maximum number of securities to be acquired.	16,000,000	
7	Number of securities and percentage held before and after the proposed investment.	Present shareholding: 25,525,169 shares %age:51.05% Shareholding after proposed investment: 41,525,169 shares. %age after proposed investment: 83.05%.	
8	Average of the preceding 12 weekly average price of the security intended to be acquired.	PKR 38.29 (Nov 12, 2014 to Feb 12, 2015).	
9	Break-up value of securities intended to be acquired on the basis of the latest audited financial statements.	PKR 52.53 per share as per audited financial statements as on Dec 31, 2014.	
10	Earnings per share of the associated company for the last 3 years:	Dec 31, 2014	PKR 5.65
		Dec 31, 2013	PKR 3
		Dec 31, 2012	PKR 5.81
11	Sources funds from which securities will be acquired:	Own funds and borrowings.	
	a) Justification for investment through borrowings.	The gains/returns/dividend are expected to be higher than the cost of funds.	
	b) Details of guarantees & assets pledged for obtaining such funds.		



S.No.	Description	Information Required
12	Salient features of all agreements entered into with the associated company or associated undertaking or with the financial institution (s) with regards to proposed transfer of liabilities.	Purchase of shares is from the secondary market. Therefore, this is not applicable.
13	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives in the associated company and the proposed transaction.	The Directors, sponsors, majority shareholders of the Bank and their relatives have no vested interest in the associated company or the proposed investment except to the extent of their and their spouses' shareholdings in the associated company, if any.

FINANCIAL HIGHLIGHTS

Six years analysis 2009 -14

PKR million

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Investments	9,536	13,702	22,650	46,259	42,679	84,258
Advances	11,690	13,978	18,019	20,055	33,763	56,706
Deposits and other accounts	21,314	26,276	41,487	62,544	80,916	108,740
Share capital	6,128	8,150	10,003	10,725	10,725	12,225
Share holders' equity	5,622	5,822	7,505	8,786	9,139	11,704
Mark-up / return / interest earned	2,527	3,300	4,312	6,023	6,850	11,113
Mark-up / return / interest expensed	(1,807)	(2,255)	(2,584)	(3,758)	(4,525)	(7,259)
Net Mark-up/ interest income	721	1,045	1,729	2,265	2,325	3,854
Non mark-up / interest income	339	333	762	1,806	1,678	2,590
(Provisions) / Reversals	(773)	(136)	151	(510)	(453)	(819)
Operating expenses	(1,736)	(1,864)	(2,106)	(2,582)	(3,049)	(4,017)
Profit before taxation	(1,449)	(623)	536	980	501	1,608
Taxation	854	215	(176)	(270)	(150)	(548)
Profit after taxation	(595)	(407)	360	709	351	1,060

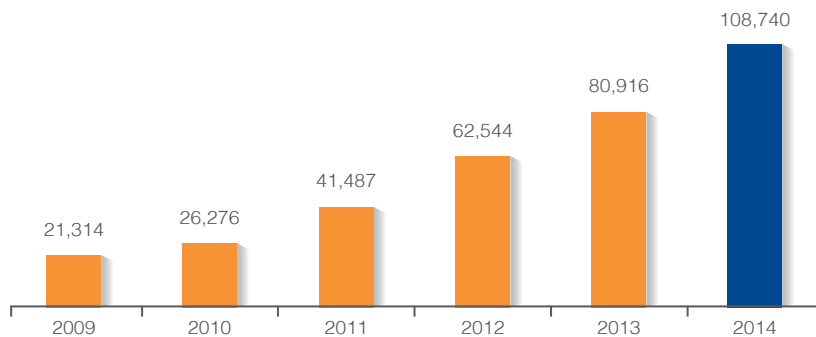


GRAPHICAL ANALYSIS

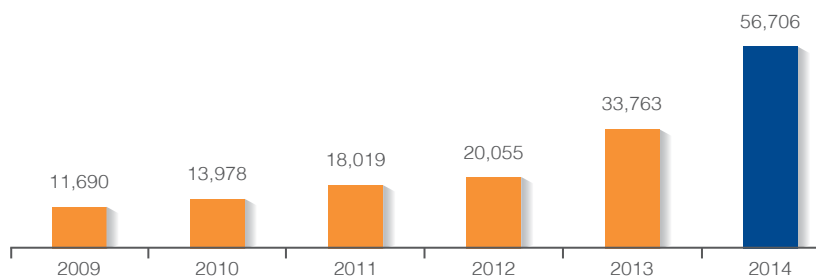
for the year ended December 31, 2014

PKR million

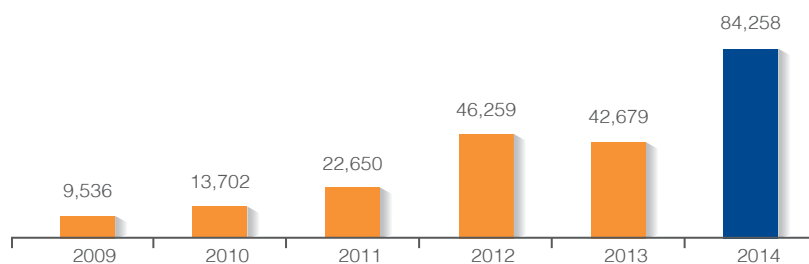
DEPOSITS CAGR - 39%



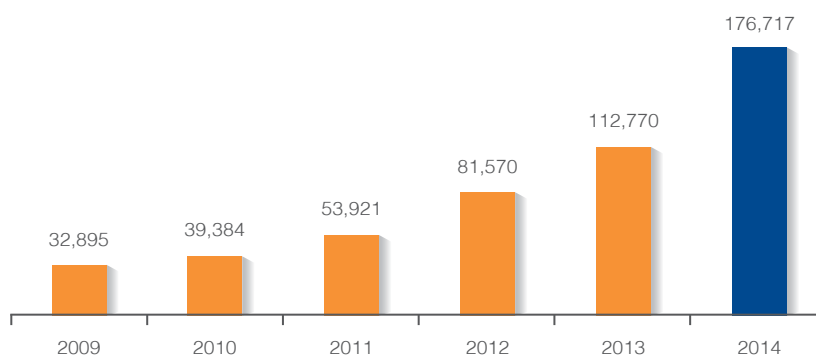
ADVANCES CAGR - 34%



INVESTMENTS CAGR - 59%



TOTAL ASSETS CAGR - 42%

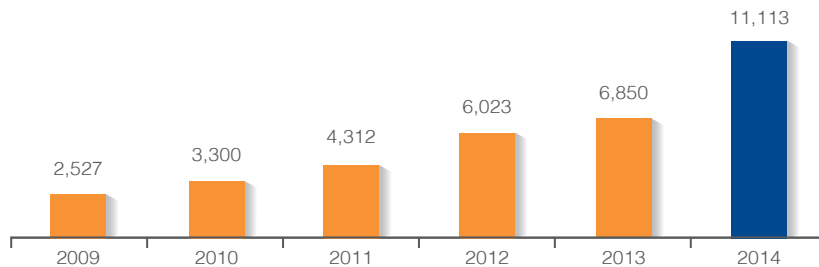


GRAPHICAL ANALYSIS

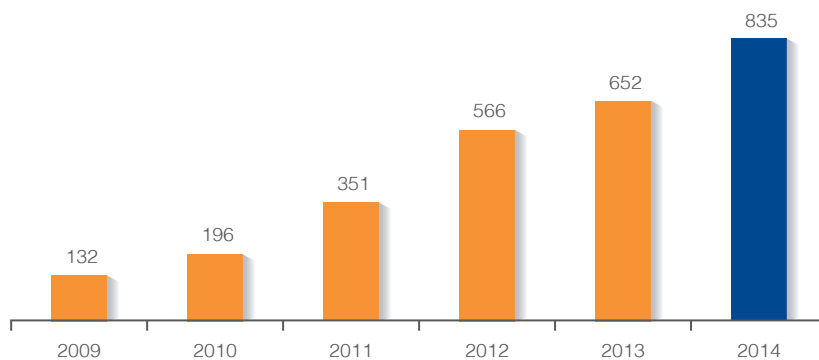
for the year ended December 31, 2014

PKR million

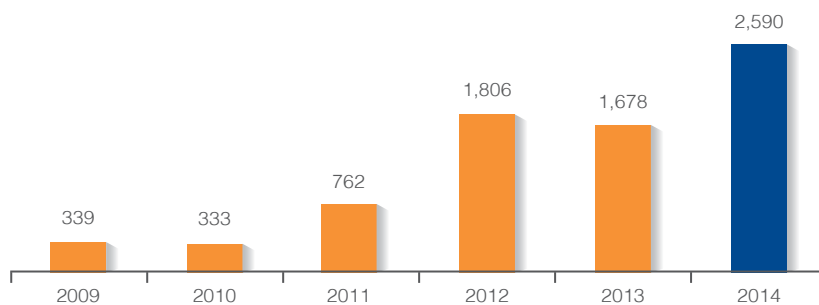
GROSS MARKUP INCOME CAGR - 33%



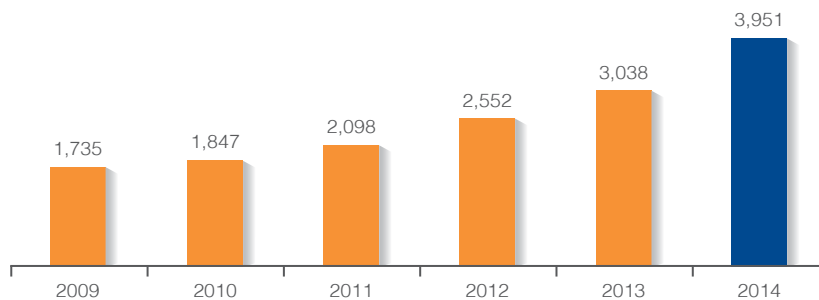
FEE, COMMISSION & BROKERAGE INCOME CAGR - 42%



TOTAL NON MARKUP INCOME CAGR - 32%



ADMINISTRATIVE EXPENSES CAGR - 26%

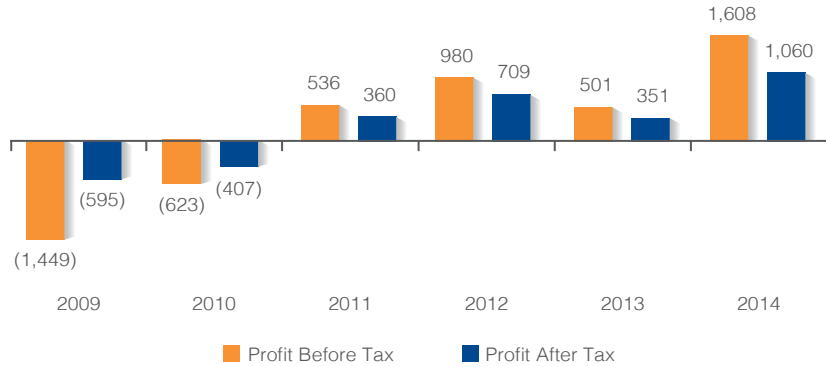




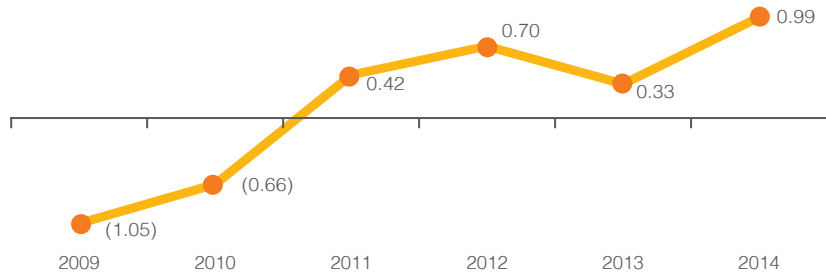
GRAPHICAL ANALYSIS

for the year ended December 31, 2014

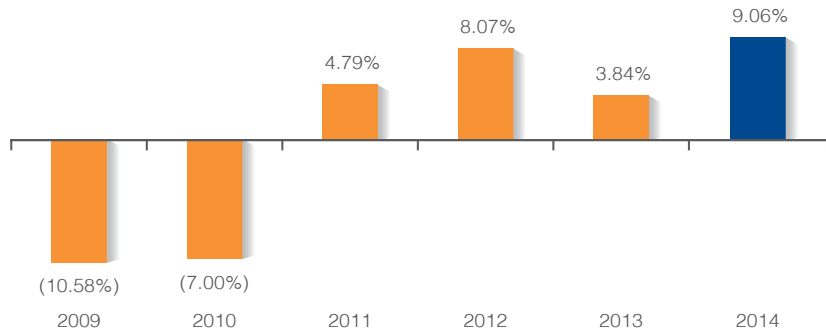
PROFIT BEFORE & AFTER TAX PKR MILLION



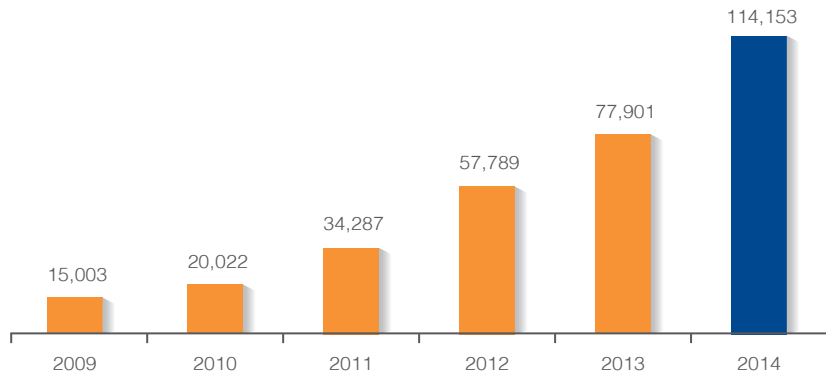
EARNINGS PER SHARE (EPS) - PKR



RETURN ON EQUITY (ROE)



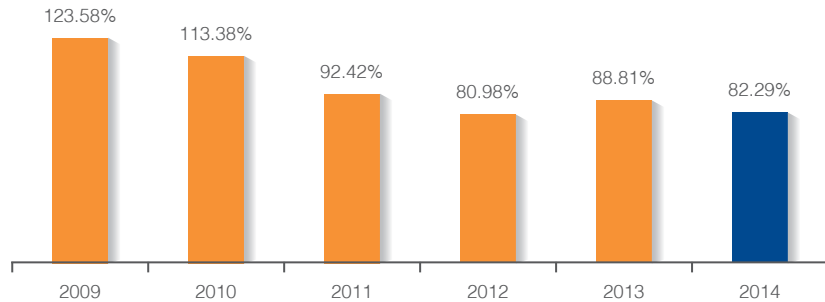
TRADE VOLUMES CAGR - 56% PKR MILLION



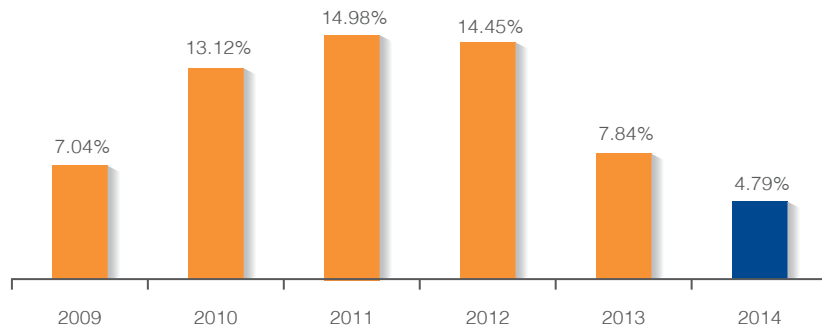
GRAPHICAL ANALYSIS

for the year ended December 31, 2014

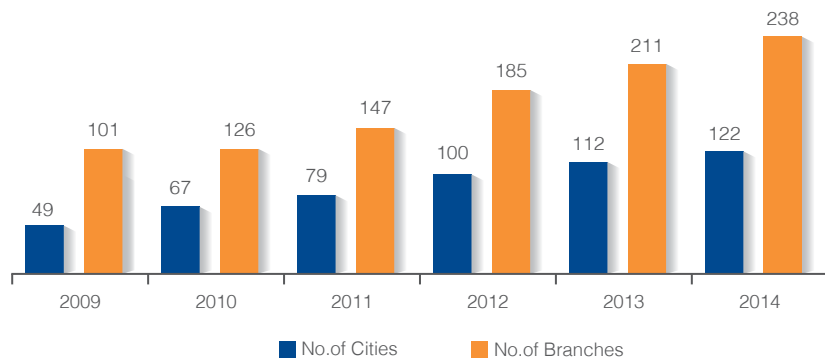
COST / INCOME RATIO



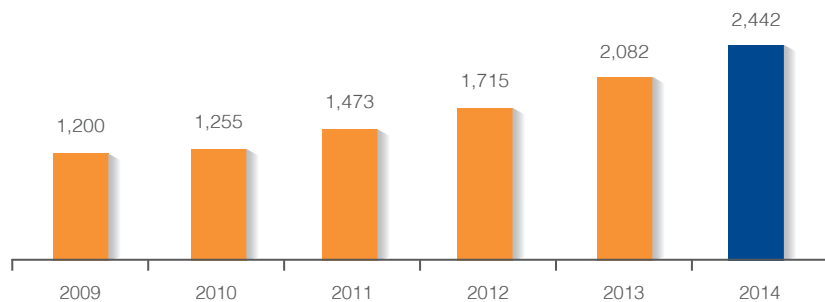
INFECTION RATIO (NPL/GROSS ADVANCES)



BRANCH NETWORK



STAFF STRENGTH





Directors' Report

We are pleased to present the Ninth Annual Report of JS Bank Limited ("JSBL") along with the audited accounts and Auditors' report for the year ended December 31, 2014.

Economic Review

During 2014, Pakistan's economy continued to face challenges related to energy shortages. GDP growth for FY14 was 4.1% which was below the government's target of 4.4% but improvements were witnessed in Pakistan's fiscal and external accounts. The fiscal deficit was 5.5% of the GDP in FY14, while successful Eurobond and Sukuk (Islamic Bond) issues, funding from the International Monetary Fund program and declining oil prices provided some respite to Pakistan's external accounts. As a result, Foreign Exchange Reserves are at US\$ 15 billion which led to exchange rate stability during the year. Inflation fell to an eleven-year low, with December 2014 CPI at 4.3% YoY.

Banking Sector Review

The year 2014 witnessed a reversal in interest rates and the State Bank of Pakistan (SBP) moved towards monetary policy easing by cutting the discount rate by 50 basis points (bps) in November 2014, followed by a 100 bps cut in January 2015. Banking spreads for the period under review also declined to a nine-year low. PIB (Medium and Long Term sovereign bond) investments for the banking sector increased by approximately 2.76 times in 2014 when compared to 2013. Resultantly, the banking industry's investments grew by 26% YoY to reach PKR 5,108 billion while Advances grew by 10% YoY to PKR 4,458 billion in December 2014. Total Deposits reached PKR 8,342 billion during the same period, registering a growth of 11% YoY. Advance to Deposits Ratio (ADR) for the industry remained at 53%. Non-Performing Loans (NPLs) for the industry accumulated to PKR 608 billion as at September 2014 against PKR 585 billion in December 2013. The net NPL ratio for the sector stood at 3.23% in September 2014.

Financial Performance

Your Bank posted a pre-tax profit of PKR 1,608.2 million during 2014 as compared to a pre-tax profit of PKR 501.4 million in the previous year, an increase of 221%. The Profit after tax was PKR 1,060 million as compared to a profit of PKR 351.3 million in 2013, showing an increase of 202%. The increase in profits is due to successful execution of the bank's long term strategy through continued growth in retail deposits, increases in loans and advances, strong risk management, new products and high service standards. Resultantly, the Earnings Per Share (EPS) of your Bank was PKR 0.99 for 2014 as compared to an EPS of PKR 0.33 per share during 2013. The profitability ratios measured in terms of Return on Assets and Return on Equity also increased from 0.36% and 3.92% in 2013 to 0.73% and 10.17% in 2014. JS Bank achieved these increases in profitability despite significant investments in its franchise and continued growth in branches.

The balance sheet registered a YoY growth of 57% to reach PKR 176,717 million as at December 31, 2014. Deposits increased to PKR 108,740 million compared to PKR 80,916 million in the previous year, a YoY growth of 34%. Gross advances grew to PKR 58,765 million as at December 31, 2014, a YoY rise of 67%, while investments increased by 97% to PKR 84,258 million. Net Interest Income increased by 66% to reach PKR 3,854 million - led by growth in both earning assets as well as low cost deposits. Meanwhile, Non-Interest Income was PKR 2,590 million as compared to PKR 1,678 million in the previous year-

an increase of 54%, is due to the excellent performance of our Treasury, strong growth in foreign trade related income and sales of Bancassurance and Home Remittance products.

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

PKR 'Million'

Particulars	2014	2013	2012	2011	2010
Deposits	108,740.0	80,916.1	62,543.8	41,487.0	26,276.3
Total assets	176,716.8	112,770.0	81,570.0	53,920.6	39,383.6
Investments	84,257.6	42,679.3	46,259.4	22,649.8	13,701.7
Advances	56,706.1	33,762.5	20,054.9	18,018.8	13,978.1
Gross Interest Income	11,113.4	6,849.9	6,022.9	4,312.2	3,299.8
Net Interest Income	3,854.0	2,325.3	2,264.6	1,728.7	1,044.8
Non-Interest Income	2,590.2	1,677.8	1,806.5	762.1	333.0
Profit/ (loss) before tax	1,608.2	501.4	979.5	535.8	(622.5)
Profit/ (loss) after tax	1,060.0	351.3	709.2	359.7	(407.5)
No. of branches	238	211	185	147	126
No. of Employees	2,442	2,082	1,715	1,473	1,255

Business Overview

The Bank continued to show strong growth in deposits, assets, Alternative Delivery Channels (ADC), Bancassurance and Remittance businesses. During 2014, the Bank has embarked on several initiatives to strengthen its service delivery and product line, including Mobile Banking, Cash Management Solutions, EMV Debit & Credit Cards, Rupee Traveller Cheques and GoldFinance. Having a network of 238 branches across 122 cities and a competitive set of banking products & services, the Bank is expected to show greater growth in 2015.

In line with our strategy to support and encourage the growth of SME sector in Pakistan, the Bank has been short-listed by USAID for Development Credit Authority ("DCA") guarantee program. DCA will provide a 50% pari passu guarantee against defaults on new loans made to a pre-agreed target portfolio of SMEs. These guarantees are backed by the full faith and credit of the U.S. Treasury. Technical assistance for strengthening SME lending practices may also be provided along with the guarantee. We are keen to increase our lending to SMEs and this excellent program from USAID will go a long way to support SMEs while allowing JS Bank to manage risk effectively.



Corporate & Retail Banking Group

The Corporate & Retail Banking Group (CRBG) continued its focus on low-cost deposits, trade finance, ADC, Bancassurance, Remittance and further expanding our branch network nationally.

CRBGs growth strategy has continued to deliver results growing total clients by 21.6% to 270,000 accounts as at December 31, 2014.

Advances

On the assets side, there was increased focus on prudent expansion in advances and building steady fee income streams.

2014 also saw strengthening of our consumer portfolio, including JS CarAamad Auto Loans and JS Bank Credit Cards. Loans to individuals also increased primarily through growth in JS Gold Finance, a financing facility against gold ornaments.

Branch Network

The last few years at JS Bank have seen considerable growth in the Bank's branch network and customer outreach. The year saw the CRBG widen its branch presence by adding on 27 new branch locations and reaching 238 branches across 122 cities.

Alternative Delivery Channels (ADC)

CRBG further expanded its established ADC business in 2014 by growing its ATM network to 231 and launching Mobile Banking. JS Bank Debit & Credit EMV cards with advance security features replaced our non-EMV cards during the year.

CRBG also rolled out Cash Management services for our institutional customers, offering a host of corporate payments and collections solutions backed by state-of-the-art technology. Cash Management services will go a long way in deepening our relationships with our corporate and commercial customers.

Bancassurance & BancaTakaful

2014 saw a steady performance in Bancassurance business, with a wide range of products underwritten by EFU Life Assurance Limited, that allowed JS Bank to maintain its position amongst the major insurance distributors in Pakistan. The portfolio was further strengthened by the addition of a full menu of Takaful (Shariah Compliant Insurance) products, underwritten by Pak Qatar Family Takaful Limited.

Home Remittances & PRI

JS Bank is emerging as a leading player in the Home Remittance business. As one of the primary banks in the Pakistan Remittance Initiative (PRI) program of the State Bank of Pakistan (SBP), JS Bank has led the way in introducing technological solutions that enable both remitters and beneficiaries through faster, reliable and secure transactions.

Trade Business

JS Bank continued its focus on trade-centric banking and CRBG managed to grow the trade finance business to PKR 112.8 billion, an increase of 46.5% over 2013.

Service Quality

As always, our vision to remain a bank with high service quality standards continued. The Bank's dedicated service quality team continued its monitoring and controls programs that has ensured that service delivery at branches remains a cut above competitors.

Treasury, Investment Banking & Financial Institutions Group

Treasury

During 2014, JS Bank continued to actively participate in Government auctions as a Primary Dealer for Treasury Bills and Pakistan Investment Bonds. We believe we have the largest institutional client base for government securities and continued to build on this leadership position. In 2014, JS Bank's secondary market trades of fixed income securities increased by 300% over 2013.

The Bank continued to focus on its trade finance clients and resultantly posted a growth of 40% in terms of foreign exchange transaction volumes. In addition, the Bank also successfully executed its second Foreign Exchange Derivatives Product (Cross Currency Swap) transaction. We hope this will pave the way for JS Bank to obtain a derivative dealer's license from the SBP in the future.

Investment Banking Division

Maintaining its impeccable track record of innovation, JS Bank's Investment Banking Division (IBD) successfully closed the advisory and arrangement of debt financing for the largest acquisition of a pharmaceutical company in Pakistan. In addition, IBD closed numerous transactions including OTC listed Sukuk and TFC, Privately Placed TFC as well as various Syndicated and Project Financing facilities.

Financial Institutions Division

With an ever increasing network of correspondent banking arrangements, JS Bank's network now includes access to over 100 banks covering over 90 countries and territories with established credit lines. The extensive network allows the Bank to provide its customers with a vast range of trade finance services, suited for the needs of both importers and exporters, while enabling seamless treasury and remittance business.

Business Development & Overseas Operations

The Group is also looking after the JS Bank's initiatives to expand its outreach globally by opening a wholesale banking branch in Bahrain, following the recently gained "In-Principle" approval and also increasing domestic market penetration by establishing Private Banking Centers in major cities in Pakistan.



Strategy Group

In the year 2014, the Bank's Strategy Group continued its focus on building new business areas and strategic projects, including:

Structured Finance and Leasing Unit (SFLU)

In 2014, the Bank launched the Structured Finance and Leasing Unit (SFLU), with its core focus on both regular and specialized lending products. During the year, SFLU successfully launched our medium to large ticket structured financing and leasing business.

Agriculture Finance Credit (AFC)

The Bank also launched Agriculture Finance Credit (AFC) and extended credit facilities to the farming community. During 2014, we extended our reach to 11 cities/districts and plan to expand our reach further in 2015.

Branchless Banking Unit (BBU)

In 2014, the Bank initiated its project of Branchless Banking (BB) business, under SBP' Branchless Banking Regulations. The Bank is committed to building a significantly large agent and merchant network and address the financial inclusion demand of the large unbanked customers. We expect to launch our branchless banking products during the second half of 2015.

Green Energy Program

In 2014, the bank initiated the Green Energy Project in order to reduce our carbon footprint and promote of green energy. During the year, we successfully solarized 65 branches and plan to rapidly grow the number of branches running on solar power in 2015.

Risk Management

To manage and maintain effective Risk Management practices, the Bank follows an appropriate Risk Management Framework in conformity with the generally accepted risk management practices. In this regard Bank has a comprehensive set of Risk Management Policies, practices and procedures which is further supported by an effective risk management structure. The purpose of this structure is to assist the Bank's Board of Directors and its senior management in formalizing and improving the risk management environment and in implementing a Bank-wide Risk Management culture, recognizing the diversity and complexity of its operations and evaluating exposure to various kinds of risks mainly credit, market, liquidity and operational risk.

Accordingly a sound structure of Risk Management Committees including Board Risk Management Committee (BRMC) and Audit Committee is in place which keeps an eye on the overall risk profile of the Bank. The Integrated Risk Management Committee (IRMC) and Assets & Liabilities Committee (ALCO) operate within the established framework in order to monitor the Bank's activities and maintain the risk level within predefined limits, meeting on continual basis to review market development and the level of financial risk exposure of the Bank. Dedicated to managing credit risk, a Central Credit Committee (CCC) is entrusted with the responsibility of monitoring lending risk profile of the bank. CCC meets regularly to actively supervise credit risk across its lending portfolio. A dedicated and independent Risk Management Group, staffed with Professionals having diversified experience, is in place to manage various 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.

As always, your bank will continue its endeavors to strengthen its Risk Management Policies and practices to best suit the ever evolving economic and business environment in light of local as well as International best practices and regulations.

Operations

The Operations Division continued to focus on operational excellence, provision of seamless services to its customers through branches and other centralized departments without comprising on controls. Departmental structures were realigned and capacity building initiatives were undertaken in order to cater to the growing needs of the business. In order to strengthen operation controls and efficiency the Division's focus remained on technological advancements and centralization of processes resulting in improved controls and optimization of resources. The Division continued to provide strong support to the business unit in launching of new products, services and opening of new branches.

Information Technology

In 2014, the Bank started the upgrade of its core banking systems which is Temenos T24 from version R7 to R14, which carries many technical and functional refinements.

The Bank has also implemented a state of the art call center system from Genesys and moved our previously outsourced call center operations in-house to further improve our service quality.

Equity

Core equity of the Bank expanded to PKR 11,703.7 million as at December 31, 2014, a growth of 28.1% over the previous year, due to improved profitability. In addition, the Bank had a Surplus on Revaluation of securities of PKR 2,116.6 million.

Earnings per Share (EPS)

The EPS for the year ended December 31, 2014 was PKR 0.99 per share as compared to EPS of PKR 0.33 per share in 2013, an increase of 200%.

Capital Adequacy

As of December 31, 2014, your bank's Capital Adequacy Ratio (CAR) stood at 12.63% as compared to 12.0% in 2013. Minimum CAR as prescribed by SBP is 10%. The Bank has maintained its CAR, by carefully monitoring and managing the risk profile of its increasing Assets portfolio and at the same time increasing its equity, both by the issue of preference shares and retaining earnings.



Statement on Internal Controls

JS Bank, since its inception, has been cognizant of the efficacy of an environment of appropriate internal controls in achieving its aims and objectives in the best interests of its shareholders. The Board of Directors has actively and effectively steered the organization in dealing with changing economic and competitive environment, catering to the demands of its ever-increasing clientele and restructuring for future growth. In doing so, it has adopted the best industry practices and guidelines of the State Bank of Pakistan and other regulatory authorities to ensure the conduct of business with the highest ethical standards and regulatory compliance. Internal controls, being a continuing process, the Board of Directors has laid down policies, setting acceptable level of risk to be taken, whereby senior management timely identifies possible major risks and puts in place necessary procedures to monitor and control the risks. Policies are periodically reviewed and amended by the Board, and procedures accordingly changed, in the light of economic and other related developments in order to mitigate the risk of unexpected losses and reputational damage.

The establishment of sound systems, procedures and internal controls across all the spheres of activity of the Bank in conformity with the broad guidelines provided by the Board is the responsibility of the senior management. It is ensured that duties and responsibilities of staff are clearly defined and segregated with appropriate checks and balances. Operational procedures are continuously monitored, updated for new developments and expeditiously strengthened when any gaps are identified. Policies and procedures are disseminated throughout the organization; staff is provided a participative environment enabling a free flow of information and ideas for improvement.

With the very encouraging progress that the Bank has been achieving, the need for continuous monitoring to assess the quality of operations and adherence to prescribed systems and procedures has been well recognized. An independent and effective internal audit function is operative which continuously apprises the management and the Board of Directors, through the Audit Committee, about the state of compliance. Steps are immediately taken by the management for rectification of the deviations pointed out. In addition, the Compliance Department is functioning with particular responsibility to ensure regulatory compliance across the Bank. Further, the senior management makes appropriate adjustments in the organizational structure to enhance the control environment.

One of the objectives of the management in implementing an effective system of internal controls is to ensure reliability, completeness and timeliness of financial information. In this regard, the roadmap prescribed by the State Bank of Pakistan for Internal Controls over Financial Reporting (ICFR) is being diligently pursued.

While every effort is made by the management, under guidance of the Board of Directors, to implement a sound and effective system of internal controls through well-defined updated policies and procedures so that risk is reasonably managed, an absolute elimination of unforeseen loss cannot be ensured.

The management is fully confident that the existing framework of internal controls provides an appropriate environment and an adequate level of assurance to achieve both the short and long term objectives of the Bank.

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% ordinary shares and 96.92% un-listed, convertible, irredeemable, perpetual, non-cumulative preference shares.

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

Five meetings of the Board of Directors were held during the Year 2014. The attendance of directors at Board Meetings was as follows:

Name of Director	Eligible to attend	Meetings attended
Mr. Jahangir Siddiqui, Chairman	5	5
Mr. Mazharul Haq Siddiqui	5	5
Mr. Ashraf Nawabi	5	3
Mr. Shahab A. Khawaja	5	5
Mr. Adil Matcheswala	5	4
Mr. Kalim-ur-Rahman	5	4
Mr. G.M Sikandar	5	4
Mr. Khalid Imran, President & CEO	5	5

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	4	4	4	4	3	3
Mr. Mazharul Haq Siddiqui					3	2
Mr. Ashraf Nawabi			4	1		
Mr. Shahab A. Khawaja	4	4				
Mr. Adil Matcheswala	4	3	4	4		
Mr. Kalim-ur-Rahman					3	3
Mr. G.M Sikandar						
Mr. Khalid Imran, President & CEO			4	4	3	3

Pattern of Shareholding

The pattern of shareholding at the close of December 31, 2014 as required u/s 236 of the Companies Ordinance, 1984 is given on page number 216.

Credit Ratings

The Pakistan Credit Rating Agency (PACRA) has maintained the long-term entity rating of JS Bank at “A+” (Single A Plus) and 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.

Dividend to Preference Shareholders

The Bank on February 19, 2014 issued 150 million un-listed, convertible, irredeemable, perpetual, non-cumulative preference shares at a par value of PKR 10 each with a fixed return of 12% per annum for a period of four years. The preference shares after four years will be converted into ordinary shares of the Bank at a price of PKR 6.67 per share (discount of PKR 3.33 per share). The distribution of dividend to Preference Shareholders is non-obligatory and non-cumulative and will be allowed only if the Bank has earned sufficient profit in the current year to pay dividend and is in compliance with all the regulatory capital and provisioning requirements.

Since all the conditions for payment of dividend are complied with, therefore the Board of Directors has recommended for the shareholders’ approval at 9th Annual General Meeting payment of dividend of 12% p.a. to the Preference Shareholders.

Employee Benefits Schemes

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 during the year 2014 PKR 61.1 million (2013: PKR 49.6 million). The un-audited balance as at December 31, 2014 of the Fund was PKR 427.3 million (2013: PKR 337 million).
- The contribution to be made in the Scheme PKR 21.3 million for 2014 (2013: PKR 14.6 million). The un-audited balance of the plan assets of the Scheme as at December 31, 2014 was PKR 128.3 million (2013: PKR 115 million).

Auditors

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

Compliance with Code of Corporate Governance

The requirements of the Code of Corporate Governance set out by the Karachi Stock Exchange in its listing regulations relevant for the year ended December 31, 2014 have been adopted by the Bank and have been duly complied with. A statement in this effect is annexed with the report.



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. We sincerely thank all our customers for their confidence and continued patronage. We also wish to convey our appreciation to all our staff members for their professionalism and commitment.

For and on behalf of the Board,

Jahangir Siddiqui
Chairman

February 24, 2015

Statement of Compliance with the Code of Corporate Governance [See clause (5.19.23)]

Name of company: JS Bank Limited (the 'Bank')
Year ended: December 31, 2014

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in respective 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 Bank has applied the principles contained in the CCG in the following manner:

1. The Bank encourages representation of independent, non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Names
Independent Directors	Mr. Ashraf Nawabi Mr. Shahab Anwar Khawaja Mr. G.M Sikander
Executive Director	Mr. Khalid Imran (President & CEO)
Non-Executive Directors	Mr. Jahangir Siddiqui Mr. Mazharul Haq Siddiqui Mr. Kalim-ur-Rahman Mr. Adil Matcheswala

The independent directors meet the criteria of independence under clause 5.19.1(b) of the Rule Book of Karachi Stock Exchange Limited.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Bank (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a broker of a stock exchange, has been declared as a defaulter by that stock exchange.



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4. No casual vacancy occurred on the Board during the year 2014.
 5. The Bank has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures.
 6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Bank. 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 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 has been provided with the revised Code along with briefings on various stages in order for them to properly manage the affairs of the Bank as representatives of members of the Bank. Further, in accordance with the criteria specified in rule 5.19.7 of the Rule Book of Karachi Stock Exchange Limited, one director has completed training and three directors of the Bank are exempt from the requirement of Directors’ Training Program. All the directors on the Board are fully conversant with their duties and responsibilities as directors of the Bank.
 10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment. No new appointment has been made during the financial year except that of Company Secretary.
 11. The Directors’ Report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
 12. The Financial Statements of the Bank were duly endorsed by CEO and CFO before approval of the Board.
 13. The Directors, CEO and executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.
 14. The Bank has complied with all the corporate and financial reporting requirements of the CCG.
 15. The Board has formed an Audit Committee. It comprises of three members, of whom two are 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 Bank as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

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17. The Board has formed a Human Resource and Remunerations Committee. It comprises four members, of whom three 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 Bank.
 19. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
 20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
 21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of the Bank'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.

Khalid Imran
President &
Chief Executive Officer

February 24, 2015

Review Report to the Members on the Statement of Compliance with the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **JS Bank Limited** (the Bank) for the year ended December 31, 2014 to comply with the Regulation G-1 of the Prudential Regulations for the Corporate/ Commercial Banking issued by the State Bank of Pakistan and respective requirements 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 and to highlight any non-compliance with the requirements of the Code. 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 the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal controls covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Bank's corporate governance procedures and risks.

The Code requires the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code as applicable to the Bank for the year ended December 31, 2014.

M. Yousuf Adil Saleem & Co

Chartered Accounts

Engagement Partner

Nadeem Yousuf Adil

Date: February 24, 2015

Place: Karachi

Unconsolidated Financial Statements

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, 2014, and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'the financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for 3 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;

- (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, 2014, 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.

M. Yousuf Adil Saleem & Co

Chartered Accounts

Engagement Partner

Nadeem Yousuf Adil

Date: February 24, 2015

Place: Karachi



UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at December 31, 2014

	Note	2014 Rupees in '000	2013
ASSETS			
Cash and balances with treasury banks	7	9,041,269	7,773,892
Balances with other banks	8	412,232	514,982
Lendings to financial institutions	9	16,807,304	21,585,799
Investments - net	10	84,257,568	42,679,316
Advances - net	11	56,706,066	33,762,507
Operating fixed assets	12	3,766,850	3,627,512
Deferred tax assets - net	13	-	883,605
Other assets	14	5,725,528	1,942,359
		176,716,817	112,769,972
LIABILITIES			
Bills payable	15	1,380,020	1,414,793
Borrowings	16	50,537,973	20,150,846
Deposits and other accounts	17	108,739,960	80,916,125
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	13	444,781	-
Other liabilities	18	2,534,537	1,354,315
		163,637,271	103,836,079
NET ASSETS		13,079,546	8,933,893
REPRESENTED BY			
Share capital	19	10,724,643	10,724,643
Discount on issue of shares		(2,105,401)	(2,105,401)
Preference shares	20	1,500,000	-
Reserves		513,707	301,699
Unappropriated profit		1,070,775	218,098
		11,703,724	9,139,039
Surplus / (deficit) on revaluation of assets - net of tax	21	1,375,822	(205,146)
		13,079,546	8,933,893
CONTINGENCIES AND COMMITMENTS	22		

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

Chairman

President and Chief Executive
Officer

Director

Director

UNCONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended December 31, 2014

	Note	2014 Rupees in '000	2013
Mark-up / return / interest earned	23	11,113,380	6,849,941
Mark-up / return / interest expensed	24	7,259,340	4,524,682
Net mark-up / interest income		3,854,040	2,325,259
Provision against non-performing loans and advances - net	11.4	(657,634)	(429,932)
Provision for diminution in value of investments - net	10.3	(161,144)	(23,156)
Bad debts written off directly		-	-
		(818,778)	(453,088)
Net mark-up / interest income after provisions		3,035,262	1,872,171
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income	25	834,931	651,575
Dividend income		134,976	377,623
Income from dealing in foreign currencies		271,827	259,055
Gain on sale of securities - net	26	1,173,579	222,374
Unrealised gain on revaluation of investments classified as held-for-trading - net	10.4	340,009	117,079
Other (loss) / income	27	(165,161)	50,133
Total non mark-up / interest income		2,590,161	1,677,839
		5,625,423	3,550,010
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	28	3,950,952	3,038,068
Other provisions / write offs	29	7,684	-
Other charges	30	58,562	10,571
Total non-mark-up / interest expenses		4,017,198	3,048,639
		1,608,225	501,371
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		1,608,225	501,371
Taxation			
- Current		(122,201)	(126,317)
- Prior years		48,609	-
- Deferred	13.1	(474,594)	(23,771)
	31	(548,186)	(150,088)
PROFIT AFTER TAXATION		1,060,039	351,283
Unappropriated profit / (loss) brought forward		218,098	(64,596)
Profit available for appropriation		1,278,137	286,687
----- Rupee -----			
Basic earnings per share	32	0.99	0.33
Diluted earnings per share	32	0.84	0.33

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

Chairman

President and Chief Executive
Officer

Director

Director



UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended December 31, 2014

	Note	2014 Rupees in '000	2013
Profit after taxation		1,060,039	351,283
Other comprehensive income			
Items that will never be reclassified to profit and loss account			
Actuarial gain on defined benefit plan - net of tax	35.5	4,646	1,668
Comprehensive income transferred to equity		1,064,685	352,951
Component of comprehensive income not reflected in equity			
Items that are or may be reclassified to profit and loss account			
Net change in fair value of available-for-sale securities		2,432,259	(594,581)
Related deferred tax		(851,291)	208,103
		1,580,968	(386,478)
Total comprehensive income for the year		2,645,653	(33,527)

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

Chairman

President and Chief Executive
Officer

Director

Director

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended December 31, 2014

	Share capital	Discount on issue of shares	Preference shares	Statutory reserves	Unappropriated (loss)/profit	Total
	Rupees in '000					
Balance as at January 01, 2013	10,724,643	(2,105,401)	-	231,442	(64,596)	8,786,088
Total comprehensive income for the year ended December 31, 2013						
Profit after taxation	-	-	-	-	351,283	351,283
Other comprehensive income	-	-	-	-	1,668	1,668
	-	-	-	-	352,951	352,951
Transfers						
Transfer to statutory reserve	-	-	-	70,257	(70,257)	-
Balance as at December 31, 2013	10,724,643	(2,105,401)	-	301,699	218,098	9,139,039
Total comprehensive income for the year ended December 31, 2014						
Profit after taxation	-	-	-	-	1,060,039	1,060,039
Other comprehensive income	-	-	-	-	4,646	4,646
	-	-	-	-	1,064,685	1,064,685
Transaction with owners recorded directly in equity						
Issuance of preference shares during the year (note 1.3 & 20)	-	-	1,500,000	-	-	1,500,000
Transfers						
Transfer to statutory reserve	-	-	-	212,008	(212,008)	-
Balance as at December 31, 2014	10,724,643	(2,105,401)	1,500,000	513,707	1,070,775	11,703,724

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

Chairman

President and Chief Executive Officer

Director

Director



UNCONSOLIDATED CASH FLOW STATEMENT

for the year ended December 31, 2014

	Note	2014 Rupees in '000	2013 Rupees in '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		1,608,225	501,371
Less: Dividend income		(134,976)	(377,623)
		<u>1,473,249</u>	<u>123,748</u>
Adjustments for non-cash items:			
Depreciation	12.2	337,882	268,460
Amortisation of intangible assets	12.3	33,039	21,122
Charge for defined benefit plan	35.5	28,497	14,566
Unrealised gain on revaluation of investments classified as held-for-trading	10.4	(340,009)	(117,079)
Provision against non-performing advances - net	11.4	657,634	429,932
Provision for diminution in value of investments - net	10.3	161,144	23,156
Other provisions / write offs	29	7,684	-
Provision for Workers' Welfare Fund	30	32,165	10,027
Unrealised loss / (gain) on revaluation of derivative instruments	27	181,796	(10,254)
Gain on sale of operating fixed assets		(16,635)	(39,879)
		<u>1,083,197</u>	<u>600,051</u>
		2,556,446	723,799
(Increase) / decrease in operating assets			
Lendings to financial institutions		4,778,495	(17,644,841)
Held-for-trading securities		(460,552)	(20,630,015)
Advances		(23,601,193)	(14,137,518)
Other assets (excluding advance taxation)		(3,612,212)	(753,020)
		<u>(22,895,462)</u>	<u>(53,165,394)</u>
Increase / (decrease) in operating liabilities			
Bills payable		(34,773)	701,046
Borrowings		30,388,038	11,973,139
Deposits		27,823,835	18,372,332
Other liabilities		982,590	195,205
		<u>59,159,690</u>	<u>31,241,722</u>
		36,264,228	(21,923,672)
Gratuity paid	35.5	(1,289)	(22,967)
Income tax paid		(169,255)	(24,746)
Net cash flow from / (used in) operating activities		<u>38,650,130</u>	<u>(21,247,586)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investment in available-for-sale securities		(38,506,577)	23,709,439
Dividend income received		134,976	377,623
Investments in operating fixed assets		(640,496)	(766,866)
Proceeds from sale of operating fixed assets		27,505	54,768
Net cash flow (used in) / from investing activities		<u>(38,984,592)</u>	<u>23,374,964</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of preference shares		1,500,000	-
Net cash flows from financing activities		<u>1,500,000</u>	<u>-</u>
Increase in cash and cash equivalents		1,165,538	2,127,378
Cash and cash equivalents at beginning of the year		8,284,731	6,157,353
Cash and cash equivalents at end of the year	33	<u><u>9,450,269</u></u>	<u><u>8,284,731</u></u>

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

Chairman

President and Chief Executive
Officer

Director

Director

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

1. STATUS AND NATURE OF BUSINESS

- 1.1 JS Bank Limited ('the Bank' / 'JSBL'), 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 238 (2013: 211) branches / sub-branches in Pakistan. The Pakistan Credit Rating Agency Limited (PACRA) has maintained the long-term and short-term entity ratings of the Bank at "A+" (Single A Plus) and "A1" (A One), respectively.
- 1.2 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 - Pakistan Branches, (AEBL). 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 vide its letter No. SC/NBFC(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.

1.3 Compliance with Minimum Capital Requirement

On February 19, 2014, the Bank issued 150 million un-listed, convertible, irredeemable, perpetual, non-cumulative, non-voting preference shares of Rs. 10 each which qualify for Tier I Capital under Basel III requirement. As a result of this transaction, the paid up capital of the Bank has increased by Rs. 1.5 billion and the Bank is in compliance with minimum capital requirement prescribed by the State Bank of Pakistan through its BSD Circular no. 7 dated April 15, 2009.

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 subsidiaries 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 the Banking Companies Ordinance, 1962, Companies Ordinance, 1984 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



NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

unconsolidated financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

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

4.4 New accounting standards / amendments and IFRS interpretations that are effective from accounting period beginning on or after January 01, 2014

The following standards, amendments and interpretations are effective for the year ended December 31, 2014. These standards, interpretations and the amendments are either not relevant to the Bank's operations or are not expected to have significant impact on the Banks's financial statements other than certain additional disclosures.

Standards/Amendments/Interpretations

**- IAS 32 Financial Instruments: Presentation
(Offsetting financial assets and financial liabilities)**

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.

**- IAS 36 Impairment of Assets
(Recoverable amount disclosures for non-financial assets)**

The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. The new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair value Measurements. The amendments require retrospective application.

- IFRIC 21 - Levies

IFRIC 21 defines a levy as a payment to a government for which an entity receives no specific goods or services. A liability is recognised when the obligating event occurs. The obligating event is the activity that triggers payment of the levy. This is typically specified in the legislation that imposes the levy.

4.5 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 Banks's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Amendments to IAS 16 and IAS 38 Clarification of acceptable methods of depreciation and amortization

**Effective from on or after
January 01, 2016**

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendment to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- a) When the intangible asset is expressed as a measure of revenue. For example, an entity could acquire a concession to explore and extract gold from a gold mine. The expiry of the contract might be based on a fixed amount of total revenue to be generated from the extraction (for example, a contract may allow the extraction of gold mine until the total cumulative

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

revenue from the sale of goods reaches CU 2 billion) and not be based on time or on the amount of gold extracted. Provided that the contract specifies a fixed total amount of revenue to be generated on which amortization is to be determined, the revenue that is to be generated might be an appropriate basis for amortizing the intangible asset; or

- b) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible assets are highly correlated.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer plants

**Effective from on or after
January 01, 2016**

The amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. In terms of the amendments, bearer plants can be measured using either the cost model or the revaluation model set out in IAS 16.

On the initial application of the amendments, entities are permitted to use the fair value of the items of bearer plants as their deemed cost as at the beginning of the earliest period presented. Any difference between the previous carrying amount and fair value should be recognized in opening retained earnings at the beginning of the earliest period presented.

The produce growing on bearer plants continues to be accounted for in accordance with IAS 41.

Amendments to IAS 19 Employee Benefits: Employee contributions

**Effective from on or after
July 01, 2014**

The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties that are linked to services to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that independent of the number of years of service, the entity may either recognize the contribution as a reduction of the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service either using the plan's contribution formula or on a straight line basis; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service. Retrospective application is required.

IAS 27 (Revised 2011) – Separate Financial Statements (will concurrently apply with IFRS 10)

**Effective from on or after
January 01, 2015**

The revised standard sets out the requirements regarding separate financial statements only. Most of the requirements in the revised Standard are carried forward unchanged from the previous standard. The IASB has issued recently the amendment to IAS 27 wherein it has allowed to follow the equity method in the separate financial statements also. These amendments will be effective from January 01, 2016 with earlier application allowed.

IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures

**Effective from on or after
January 01, 2015**

Similar to the previous standard, the new standard deals with how to apply the equity method of accounting. However, the scope of the revised standard has been changed so that it covers investments in joint ventures as well because IFRS 11 requires investments in joint ventures to be accounted for using the equity method of accounting.

IFRS 10 – Consolidated Financial Statements

**Effective from on or after
January 01, 2015**

IFRS 10 replaces the part of IAS 27 Consolidated and Separate Financial Statements that deals with consolidated financial statements and SIC 12 Consolidation - Special Purpose Entities. Under IFRS 10, there is only one basis for consolidation for all entities, and that basis is control. This change is to remove the perceived inconsistency between the previous version of IAS 27 and SIC 12; the former used a control concept while the latter placed greater emphasis on risks and rewards. IFRS 10 includes a more robust definition of control in order to address unintentional weaknesses of the definition of control set out in the previous version of IAS 27. Specific transitional provisions are given for entities that apply IFRS 10 for the first time. Specifically, entities are required to make the 'control' assessment in accordance with IFRS 10 at the date of initial application, which is the beginning of the annual reporting period for which IFRS 10 is applied for the first time. No adjustments are required when the 'control' conclusion made at the date of initial application of IFRS 10 is the same before and after the application of IFRS 10. However, adjustments are required when the 'control' conclusion made at the date of initial application of IFRS 10 is different from that before the application of IFRS 10.



NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

As per the industry practice, the Bank does not consolidate its investment in mutual funds, whether controlled directly or indirectly. The Bank is currently in a process of evaluating the impact of IFRS 10 on consolidation of mutual funds.

IFRS 11 – Joint Arrangements

**Effective from on or after
January 01, 2015**

IFRS 11 replaces IAS 31 Interest in Joint Ventures and SIC 13 Jointly Controlled Entities – Non monetary Contributions by Venturers. IFRS 11 deals with how a joint arrangement should be classified where two or more parties have joint control. There are two types of joint arrangements under IFRS 11: joint operations and joint ventures. These two types of joint arrangements are distinguished by parties' rights and obligations under the arrangements. Under IFRS 11, the existence of a separate vehicle is no longer a sufficient condition for a joint arrangement to be classified as a joint venture whereas, under IAS 31, the establishment of a separate legal vehicle was the key factor in determining whether a joint arrangement should be classified as a jointly controlled entity.

IFRS 12 – Disclosure of Interests in Other Entities

**Effective from on or after
January 01, 2015**

IFRS 12 is a new disclosure standard that sets out what entities need to disclose in their annual consolidated financial statements when they have interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities (broadly the same as special purpose entities under SIC 12). IFRS 12 aims to provide users of financial statements with information that helps evaluate the nature of and risks associated with the reporting entity's interest in other entities and the effects of those interests on its financial statements.

IFRS 13 – Fair Value Measurement

**Effective from on or after
January 01, 2015**

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. IFRS 13 gives a new definition of fair value for financial reporting purposes. Fair value under IFRS 13 is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market condition (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. IFRS 13 should be applied prospectively as of the beginning of the annual period in which it is initially applied.

Certain annual improvements have also been made to a number of IFRSs.

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 and the State Bank of Pakistan:

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

5. CRITICAL ACCOUNTING ESTIMATES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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 an intention to trade by taking advantage of short-term market / interest rate movements and are to be sold within 90 days of acquisition.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

- 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'.

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 borrowers, the value of securities and the requirement of the Prudential Regulations are considered. For portfolio impairment / provision on consumer advances, the Bank follows requirements set out in Prudential Regulations.

iii) 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 an 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 considers 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 contracted rates.

vi) Depreciation and amortisation of operating fixed assets

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 underlying assets, the method is 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 investment in subsidiaries

In assessing its investment in subsidiaries for impairment the Bank determines if there is any objective evidence that investment may be impaired. Impairment loss is recognised as a difference between carrying amount of the investment and its recoverable amount which is determined as higher of value-in-use and fair value less cost to sell.

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 detailed assumptions underlying impairment testing of goodwill are given in note 12.3.3 to these unconsolidated financial statements.



NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

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 repurchase agreement (repo) are retained in the financial statements as investments and liability to counter party is included in borrowings. The difference in sale and repurchase 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 in accordance with the requirements of the Prudential Regulations of the SBP.

(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.

6.3 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 included 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 account.

(b) Held-to-maturity

These are securities with fixed or determinable payments and fixed maturities that are held with the intention and ability to hold till 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.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

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

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.

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.

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

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.

6.4 Financial instruments

6.4.1 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 at the time of de-recognition. The particular recognition and subsequent measurement method for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

6.4.2 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 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.

6.5 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 is 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.

6.6 Advances

6.6.1 Loan and advances

Advances are stated net of general and specific provisions. 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.

6.6.2 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, 2014

6.7 Operating fixed assets and depreciation

Property and equipment

Owned property and equipment 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, annually.

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, annually.

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-progress

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

6.8 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.

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.

6.9 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 recognised on

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

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".

6.10 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.

6.11 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.

Defined benefit plan

The Bank operates an approved funded gratuity scheme covering all its eligible employees who have completed minimum qualifying period. An actuarial valuation of defined benefit scheme is conducted at the end of every year or on occurrence of any significant change. The most recent valuation in this regard was carried out as at December 31, 2014, 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. Past-service costs are recognised immediately in profit and loss account and actuarial gains and losses are recognised immediately in other comprehensive income.

6.12 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 loans and advances and investments is recognised on accrual basis using effective interest method. Mark-up / return / interest income on non-performing loans and advances and investments 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.



NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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6.13 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.

6.14 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.

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.

6.15 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.

6.16 Earnings per share

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

6.17 Borrowings / deposits and their cost

Borrowings / deposits are recorded at the proceeds received. Borrowing / deposit costs are recognised as an expense in the period in which these are incurred to the extent that they are not directly attributable to the acquisition of or construction of qualifying assets. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) is capitalised as part of the cost of the asset.

6.18 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:

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

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 Bank'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.

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 238 (2013: 211) 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 realizable 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 Bank in statement of financial position.

7. CASH AND BALANCES WITH TREASURY BANKS	Note	2014 Rupees in '000	2013
In hand			
Local currency		1,911,872	1,543,449
Foreign currencies		452,466	353,663
		<u>2,364,338</u>	<u>1,897,112</u>
With State Bank of Pakistan in:			
Local currency current account	7.1	4,745,145	3,740,253
Foreign currency current account - non remunerative	7.2	259,950	302,808
Foreign currency deposit account - remunerative	7.3	807,860	993,134
		<u>5,812,955</u>	<u>5,036,195</u>
With National Bank of Pakistan in:			
Local currency current accounts		862,559	838,201
National Prize Bonds		1,417	2,384
		<u>9,041,269</u>	<u>7,773,892</u>



NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

- 7.1 These include local currency current accounts maintained with SBP as per the requirements of Section 22 of the Banking Companies Ordinance, 1962.
- 7.2 This represents current account maintained with the SBP under the requirements of BSD Circular No. 14 dated June 21, 2008.
- 7.3 This represents deposit accounts maintained with SBP under the requirements of BSD Circular No.14 dated June 21, 2008 and mandatory reserve maintained to facilitate collection and settlement to foreign currency accounts under FE-25, as prescribed by the SBP. Profit rates on this deposit account are fixed on a monthly basis by the SBP. It carries profit of 0% (2013: 0%) per annum.

	Note	2014	2013
		Rupees in '000	
8. BALANCES WITH OTHER BANKS			
In Pakistan			
On current accounts		230,324	165,979
On deposit accounts	8.1	65	61
		<u>230,389</u>	<u>166,040</u>
Outside Pakistan			
On current accounts		135,295	281,043
On deposit accounts	8.2	46,548	67,899
		<u>181,843</u>	<u>348,942</u>
		<u>412,232</u>	<u>514,982</u>

- 8.1 These carry mark-up at the rate of 0% (2013: 0%) per annum.
- 8.2 This represents deposit accounts carrying mark-up rate at 0% (2013: 0%) per annum.

	Note	2014	2013
		Rupees in '000	
9. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	9.1	391,884	1,700,000
Lendings to financial institutions	9.2	5,727,062	3,529,419
Repurchase agreement lendings (Reverse Repo)	9.3 & 9.5	10,688,358	16,356,380
		<u>16,807,304</u>	<u>21,585,799</u>

- 9.1 These represent unsecured call money lendings to financial institutions carrying interest at the rates 0.03% (2013: 9.65% to 10.50%) per annum. This is due to mature on January 02, 2015.
- 9.2 These represent secured lendings to various financial institutions, carrying interest at the rates ranging from 10.88% and 14.68% (2013: 10.44% to 13.56%) per annum. These are due to mature between February 20, 2015 to June 03, 2018.
- 9.3 These are secured short-term lendings to various financial institutions, carrying mark-up rates ranging from 9.40% to 9.50% (2013: 9.40% to 9.90%) These are due to mature between January 21, 2015 to February 27, 2015. These are collateralized by Market Treasury Bills and Pakistan Investment Bonds as shown in note 9.5 below.

		2014	2013
		Rupees in '000	
9.4 Particulars of lendings			
In local currency		16,415,420	21,585,799
In foreign currency		391,884	-
		<u>16,807,304</u>	<u>21,585,799</u>

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

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

Cost of securities held as collateral against reverse repurchase lendings to financial institutions are as under:

	2014			2013		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
----- Rupees in '000 -----						
Market Treasury Bills	7,757,658	2,930,700	10,688,358	5,601,309	4,630,312	10,231,621
Pakistan Investment Bonds	-	-	-	6,124,759	-	6,124,759
	<u>7,757,658</u>	<u>2,930,700</u>	<u>10,688,358</u>	<u>11,726,068</u>	<u>4,630,312</u>	<u>16,356,380</u>

9.5.1 The market value of securities held as collateral against lendings to financial institutions amounted to Rs. 10,758.002 million (2013: 16,454.319 million).

10. INVESTMENTS - net

Note	2014			2013		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
----- Rupees in '000 -----						

10.1 Investments by type

Held-for-trading securities

Market treasury bills	10.2.1 & 10.2.2	5,448,254	-	5,448,254	11,047,184	11,061,484	22,108,668
Pakistan investment bonds	10.2.1 & 10.2.2	8,525,457	9,333,905	17,859,362	367,638	-	367,638
Ordinary shares of listed companies	10.2.3	-	-	-	253,680	-	253,680
		<u>13,973,711</u>	<u>9,333,905</u>	<u>23,307,616</u>	<u>11,668,502</u>	<u>11,061,484</u>	<u>22,729,986</u>

Available-for-sale securities

Market treasury bills	10.2.1 & 10.2.2	17,478	-	17,478	1,212,312	1,492,101	2,704,413
Pakistan investment bonds	10.2.1 & 10.2.2	18,011,845	34,099,360	52,111,205	10,490,171	-	10,490,171
Ijara sukuk	10.2.1 & 10.2.2	400	-	400	401	-	401
Ordinary shares of listed companies	10.2.3	893,211	-	893,211	1,252,948	-	1,252,948
Ordinary shares of unlisted company	10.2.4	11,000	-	11,000	11,000	-	11,000
Preference shares of listed company	10.2.5	136,589	-	136,589	136,589	-	136,589
Term finance certificates - listed	10.2.6	640,742	-	640,742	864,957	-	864,957
Term finance certificates - unlisted	10.2.7	1,571,360	-	1,571,360	1,077,378	-	1,077,378
Sukuk certificates - unlisted	10.2.8	400,000	-	400,000	-	-	-
Open end mutual funds	10.2.9	91,159	-	91,159	196,379	-	196,379
Foreign currency bonds (US \$)	10.2.10	1,093,673	-	1,093,673	1,726,004	-	1,726,004
		<u>22,867,457</u>	<u>34,099,360</u>	<u>56,966,817</u>	<u>16,968,139</u>	<u>1,492,101</u>	<u>18,460,240</u>

Investment in subsidiaries

	10.2.11	1,919,121	-	1,919,121	1,919,121	-	1,919,121
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Total investments at cost

		<u>38,760,289</u>	<u>43,433,265</u>	<u>82,193,554</u>	<u>30,555,762</u>	<u>12,553,585</u>	<u>43,109,347</u>
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Less: Provision for diminution in value of investments

	10.3	(392,644)	-	(392,644)	(231,500)	-	(231,500)
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Investments (net of provision)

		<u>38,367,645</u>	<u>43,433,265</u>	<u>81,800,910</u>	<u>30,324,262</u>	<u>12,553,585</u>	<u>42,877,847</u>
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Unrealised gain / (loss) on revaluation of investments classified as held-for-trading securities

	10.4	131,279	208,730	340,009	121,473	(4,394)	117,079
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Surplus / (deficit) on revaluation of available-for-sale securities

	21	850,576	1,266,073	2,116,649	(314,227)	(1,383)	(315,610)
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Total investments at market value

		<u>39,349,500</u>	<u>44,908,068</u>	<u>84,257,568</u>	<u>30,131,508</u>	<u>12,547,808</u>	<u>42,679,316</u>
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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

	Note	2014 Rupees in '000	2013
10.2 Investments by segments			
Federal Government Securities			
Market treasury bills	10.2.1 & 10.2.2	5,465,732	24,813,081
Pakistan investment bonds	10.2.1	69,970,567	10,857,809
Ijara sukuk	10.2.1	400	401
		75,436,699	35,671,291
Fully Paid Ordinary Shares			
Listed companies	10.2.3	893,211	1,506,628
Unlisted companies	10.2.4	11,000	11,000
		904,211	1,517,628
Fully Paid Preference Shares			
Listed companies	10.2.5	136,589	136,589
Term Finance Certificates			
Term finance certificates – listed	10.2.6	640,742	864,957
Term finance certificates – unlisted	10.2.7	1,571,360	1,077,378
Sukuk certificates – unlisted	10.2.8	400,000	-
		2,612,102	1,942,335
Mutual Funds			
Open end mutual funds	10.2.9	91,159	196,379
Others			
Foreign currency bonds (US \$)	10.2.10	1,093,673	1,726,004
Investment in subsidiaries	10.2.11	1,919,121	1,919,121
Total investments at cost		82,193,554	43,109,347
Less: Provision for diminution in value of investments	10.3	(392,644)	(231,500)
Investments (net of provisions)		81,800,910	42,877,847
Unrealized gain on revaluation of held for trading securities	10.4	340,009	117,079
Surplus / (deficit) on revaluation of available-for-sale securities	21	2,116,649	(315,610)
Total investments at market value		84,257,568	42,679,316

10.2.1 Details of investment in Federal Government Securities

	Market value					
	2014			2013		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
	Rupees in '000					
Held-for-trading securities						
Market treasury bills	5,448,088	-	5,448,088	11,042,020	11,057,090	22,099,110
Pakistan investment bonds	8,656,902	9,542,635	18,199,537	369,955	-	369,955
	14,104,990	9,542,635	23,647,625	11,411,975	11,057,090	22,469,065
Available-for-sale securities						
Market treasury bills	17,487	-	17,487	1,211,188	1,490,718	2,701,906
Pakistan investment bonds	18,748,981	35,365,433	54,114,414	10,045,637	-	10,045,637
Ijara sukuk	401	-	401	404	-	404
	18,766,869	35,365,433	54,132,302	11,257,229	1,490,718	12,747,947
	32,871,859	44,908,068	77,779,927	22,669,204	12,547,808	35,217,012

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

10.2.2 Principal terms of investment in Federal Government Securities

Name of investment	Maturity	Redemption	Coupon
Market treasury bills	January 08, 2015 to November 12, 2015	On maturity	On maturity
Pakistan investment bonds	July 19, 2015 to July 17, 2024	On maturity	Half Yearly
Ijara sukuk	November 21, 2015	On maturity	Half Yearly

10.2.3 Details of investment in ordinary shares of listed companies

	Shares of Rs.10 each		Rating		Cost		Market value	
	2014	2013	2014	2013	2014	2013	2014	2013
	Numbers				Rupees in '000		Rupees in '000	
Held-for-trading securities								
- Ghani Glass Limited	-	6,300,000	-	Unrated	-	253,680	-	378,000
Available-for-sale securities								
- Ghani Glass Limited	7,900,029	2,845,404	Unrated	Unrated	425,777	114,572	536,965	170,724
- IGI Insurance Limited	241,100	-	AA	-	58,790	-	65,237	-
- ORIX Leasing Pakistan Limited	592,500	-	AA+	-	28,457	-	28,470	-
- Sitara Chemical Industries Limited	1,417,100	906,300	A+	A+	380,187	203,613	448,314	222,053
- Attock Cement Pakistan Limited	-	823,400	-	Unrated	-	108,401	-	117,442
- Fauji Fertilizer Company Limited	-	1,936,500	-	Unrated	-	223,328	-	216,811
- Indus Motor Company Limited	-	66,200	-	Unrated	-	22,148	-	22,045
- Kohat Cement Company Limited	-	1,006,000	-	Unrated	-	77,605	-	98,357
- Millat Tractors Limited	-	626,131	-	Unrated	-	309,327	-	302,108
- Pakistan State Oil Company Limited	-	740,000	-	AA+	-	193,954	-	245,843
					893,211	1,252,948	1,078,986	1,395,383
					893,211	1,506,628	1,078,986	1,773,383

10.2.4 Details of investment in ordinary shares of unlisted company

In accordance with the requirements of the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 (The Act), the Bank has received 3,034,603 shares of Rs. 10 each including trading right entitlement certificate (TREC) of the Islamabad Stock Exchange Limited (ISEL) in lieu of its Membership card held by the Bank. In the first phase, the Bank has received 40% equity shares with trading rights i.e. 1,213,841 shares whereas the remaining 60% shares, i.e. 1,820,762 shares, are transferred to blocked CDC account maintained by ISEL. Further, the management believes that the carrying value of these shares is less than face value of shares therefore, no value has been allocated to TREC.

10.2.5 Details of investment in preference shares of listed companies

	Percentage of holding	Face value per share	Number of shares	Cost		Market value	
				2014	2013	2014	2013
				Rupees in '000		Rupees in '000	
Available-for-sale securities							
Agritech Limited (note 10.2.5.1 and 10.2.5.3)	3.03%	10	4,823,746	48,236	48,236	-	43,414
Chenab Limited (note 10.2.5.2 and 10.2.5.3)	15.45%	10	12,357,000	88,353	88,353	-	25,826
				136,589	136,589	-	69,240

10.2.5.1 These are non-voting cumulative preference shares, carrying preference dividend @ 10% p.a and are convertible into ordinary shares at the option of the Bank after five years from the date of issuance i.e. February 2012. The investee company also has the option to redeem these preference shares plus any unpaid dividend in full or in part, within ninety days after expiry of each anniversary of the issue date. The Bank has recognised full impairment on these shares amounting to Rs. 48.236 million (2013: Rs. Nil) due to weak financial position of the company.

10.2.5.2 These are cumulative preference shares, carrying preference dividend @ 9.25% p.a and are redeemable in part after four years from the date of issuance i.e. August 2008. The investee company also has an option to redeem, in part, cumulative preference shares after August 2008. The Bank has recognised full impairment on these shares amounting to Rs. 88.353 million (2013: Rs. 88.353 million) due to weak financial position of the company.



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10.2.5.3 Surplus arising due to remeasurement of these shares to the market value has not been recognized as management believes that the surplus may not be realized while selling them in open market.

10.2.6 Details of investment in term finance certificates - listed *

	Number of certificates		Rating		Cost		Market value	
	2014	2013	2014	2013	2014	2013	2014	2013
----- Rupees in '000 -----								
Available-for-sale securities								
Allied Bank Limited - 2nd Issue	9,600	9,000	AA	AA	47,931	44,928	46,863	43,061
Askari Bank Limited - 3rd Issue	8,236	8,236	AA-	AA-	41,170	41,196	40,306	41,727
Engro Fertilizer Limited - 3rd Issue	35,119	35,119	A+	A+	126,509	147,633	120,107	149,695
Pakistan Mobile Communication Limited	4,200	4,200	AA-	AA-	231,000	336,000	234,147	339,008
World Call Telecommunication Limited (note 10.2.6.2)	90,650	90,650	Unrated	Unrated	194,132	194,132	70,823	135,893
Engro Fertilizer Limited - 1st Issue	-	13,980	-	A+	-	69,347	-	69,725
Faysal Bank Limited	-	2,341	-	AA-	-	5,841	-	5,867
Orix Leasing Pakistan Limited - 2nd Issue (face value of Rs.100,000 each)	-	1,294	-	AA+	-	25,880	-	25,941
					640,742	864,957	512,246	810,917

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

10.2.6.1 Other particulars of listed term finance certificates are as follows:

Name of the company	Repayment frequency	Profit rate per annum	Maturity Date
Allied Bank Limited - 2nd Issue	Semi-annually	6 Month KIBOR ask rate plus 0.85% (for first five years)	August 28, 2019
Askari Bank Limited - 3rd Issue	Semi-annually	6 Month KIBOR ask rate plus 2.50% (for first five years)	November 18, 2019
Engro Fertilizer Limited - 3rd Issue	Semi-annually	6 Month KIBOR ask rate plus 2.40%	December 17, 2016
Pakistan Mobile Communication Limited	Quarterly	3 Month KIBOR ask rate plus 2.00%	April 18, 2016
World Call Telecommunication Limited	Semi-annually	6 Month KIBOR ask rate plus 1.60%	October 07, 2015

10.2.6.2 Surplus arising due to remeasurement of these term finance certificates to the market value has not been recognized as management believes that the surplus may not be realized while selling them in open market.

10.2.7 Details of investment in term finance certificates - unlisted, secured

Name of the company	Number of certificates		Rating		Face value per certificate	Cost	
	2014	2013	2014	2013		2014	2013
Rupees							
----- Rupees in '000 -----							
Agritech Limited (note 10.2.7.1)	30,000	30,000	Unrated	Unrated	5,000	149,860	149,860
Askari Bank Limited	120,000	-	AA-	-	5,000	600,000	-
Askari Bank Limited - 4th Issue	75	75	AA-	AA-	1,000,000	75,157	75,207
Azgard Nine Limited (related party) (note 10.2.7.2)	29,998	29,998	Unrated	Unrated	5,000	65,022	65,022
Bank Alfalah Limited - 4th Issue	1,440	1,440	AA-	AA-	5,000	7,224	7,237
Engro Fertilizer Limited - 2nd Issue	1,100	1,100	A	A	5,000	5,163	5,089
Independent Media Corporation (Pvt.) Limited	20,000	20,000	A-	A+	5,000	75,000	95,000
Nishat Chunian Limited	50,000	50,000	A	A	5,000	46,875	109,375
Pakistan Mobile Communication Limited	20,000	20,000	Unrated	Unrated	5,000	47,059	70,588
Water & Power Development Authority	100,000	100,000	AAA	AAA	5,000	500,000	500,000
						1,571,360	1,077,378

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10.2.7.1 The State Bank of Pakistan (SBP) vide its letter number BPRD/BRD-(Policy)/2014-11546 dated June 27, 2014 has allowed the relaxation from PR-8 to the Bank from provision required in respect of the Bank's exposure in Agritech Limited. The provision is held at 75% of the required provision in this unconsolidated financial statements whereas the remaining provision will be made in phased manner at 80%, 85%, 90% and 100% by end of each quarter respectively till December 31, 2015. Had the relaxation not been granted by the SBP, the provision charge for the year would have been increased by net of tax amounting to Rs. 24.352 million.

10.2.7.2 The Banks has recognized impairment on these term finance certificates amounting to Rs. 20.350 million (2013: Nil) due to weak financial Position of the company

10.2.7.3 Other particulars of unlisted term finance certificates are as follows:

Name of the company	Repayment frequency	Profit rate per annum	Maturity date
Agritech Limited (Chief Executive: Mr. Ahmed Jaudet Bilal)	Semi-annually	6 Month KIBOR ask rate plus 1.75%.	December 31, 2015
Askari Bank Limited (Chief Executive: Mr. Syed M. Husaini)	Semi-annually	6 Month KIBOR ask rate plus 1.75%.	December 23, 2021
Askari Bank Limited - 4th issue (Chief Executive: Syed Majeedullah Husaini)	Semi-annually	6 Month KIBOR ask rate plus 1.20%.	September 30, 2024
Azgard Nine Limited - related party (Chief Executive: Mr. Ahmed H. Shaikh)	Semi-annually	6 Month KIBOR ask rate plus 1.25%.	December 04, 2017
Bank Alfalah Limited (Chief Executive: Mr. Atif Bajwa)	Semi-annually	6 Month KIBOR ask rate plus 2.50%.	December 02, 2017
Engro Fertilizer Limited (Chief Executive: Mr. Ruhail Mohammad)	Semi-annually	6 Month KIBOR ask rate plus 1.70%.	March 18, 2018
Independent Media Corporation (Pvt.) Limited (Chief Executive: Mr. Mir Ibrahim Rahman)	Quarterly	3 Month KIBOR ask rate plus 3.00%.	August 05, 2018
Nishat Chunian Limited (Chief Executive: Mr. Shahzad Saleem)	Quarterly	3 Month KIBOR ask rate plus 2.25%.	September 30, 2015
Pakistan Mobile Communication Limited (Chief Executive: Mr. Rashid Naseer Khan)	Quarterly	3 Month KIBOR ask rate plus 2.00%	October 13, 2016
Water & Power Development Authority (Chairman: Mr. Zafar Mahmood)	Semi-annually	6 Month KIBOR ask rate plus 1.00%.	September 27, 2021

10.2.8 Sukuk certificates - unlisted

Name of the company	Number of certificates		Rating		Face value per certificate Rupees	Cost Rupees in '000	
	2014	2013	2014	2013		2014	2013
Available-for-sale securities							
Engro Fertilizer Limited	80,000	-	A+	-	5,000	400,000	-

10.2.9 Open End Mutual Funds

Fund	Number of certificates		Rating		Net asset value per unit Rupees	Cost Rupees in '000		Market value	
	2014	2013	2014	2013		2014	2013	2014	2013
Available-for-sale -related parties									
JS Islamic Government Securities Fund	1,011,315	1,016,333	AA-(f)	AA-(f)	101.92	91,159	96,678	103,073	102,385
JS Value Fund (note 10.2.9.1)	-	874,567	-	4-Star	-	-	99,701	-	123,707
						<u>91,159</u>	<u>196,379</u>	<u>103,073</u>	<u>226,092</u>

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10.2.9.1 The Bank has recognized impairment on these units amounting to Nil (2013: 68.216 million) as per BSD circular No. 04, 2009 dated February 13, 2009.

10.2.10 Foreign currency bonds (US \$)

Name of Bond	Rating		Coupon Rate p.a	Date of Maturity	Cost		Market Value	
	2014	2013	%		2014	2013	2014	2013
Available for sale								
----- Rupees in '000 -----								
Banco BTG Pactual S.A	Baa3	Baa3	4.00%	16-Jan-20	57,711	60,041	54,562	55,074
Yapi Kredi Bankasi	BBB	Baa2	4.00%	22-Jan-20	100,128	104,887	93,826	94,286
Turkiye Halk Bankasi	BBB-	Baa2	3.88%	5-Feb-20	62,281	65,187	60,572	58,340
Bank Pozitif	BBB-	BBB-	5.00%	7-Aug-18	105,507	210,649	103,925	198,537
IDBI Bank Ltd	BBB-	Baa3	4.13%	23-Apr-20	100,922	94,614	100,836	87,741
Emirates NBD PJSC	A	A	5.00%	27-Nov-23	98,876	103,495	104,251	104,535
FLR NTS Emirates NBD PJSC	Baa1	A+	3.55%	29-Mar-17	100,483	105,325	102,328	107,900
SB Capital SA (Sber Bank)	BBB-	Baa3	5.13%	29-Oct-22	197,706	157,987	152,735	151,272
Gazprombank (OJSC)	BBB-	-	4.96%	5-Sep-19	67,022	-	51,607	-
Aferican Export-Import Bank (AFREXIMBANK)	Baa2	-	4.75%	29-Jul-19	50,149	-	49,770	-
Samarco Mineracao SA	BBB	-	5.38%	26-Sep-24	50,242	-	46,222	-
Russian Federation	Baa2	-	5.00%	22-Apr-20	102,646	-	93,967	-
Power Grid India	-	BBB-	3.88%	-	-	97,307	-	90,813
ADCB Fin Cayman	-	A	4.50%	-	-	52,233	-	51,030
Tanner S Financieros SA	-	BBB-	4.38%	-	-	52,413	-	50,635
Turk Vak Bank Tao (Turkiye Vakiflar Bankasi)	-	Baa2	3.75%	-	-	24,944	-	24,002
Ageas Capital Asia	-	A-	4.13%	-	-	72,957	-	69,416
Union Bank Of India HK	-	Baa3	3.63%	-	-	104,929	-	100,897
Turkiye Finans Via TF Va (Fin Katilim Bk)	-	BBB	3.95%	-	-	21,065	-	20,217
Kazagro Natl Mgmt Hldng	-	BBB+	4.63%	-	-	52,552	-	48,444
Emirates NBD Tier 1	-	A+	5.75%	-	-	50,835	-	46,993
Indian Oil Corp Ltd	-	Baa3	5.75%	-	-	21,065	-	20,573
Banco Nacional	-	Baa3	4.88%	-	-	52,456	-	52,072
ICICI Bank Ltd	-	Baa2	4.80%	-	-	68,198	-	68,769
Tupras-Turkiye Petrol Ra	-	BBB-	4.13%	-	-	26,287	-	25,278
Indian Overseas Bank	-	Baa3	4.63%	-	-	105,513	-	104,575
Trukiye Bankasi	-	BBB-	6.00%	-	-	21,065	-	18,706
					1,093,673	1,726,004	1,014,601	1,650,105

10.2.11 Investment in subsidiaries

	Rating		Number of shares	Percentage holding	Cost	
	2014	2013			2014	2013
----- Rupees in '000 -----						
JS Global Capital Limited (JSGCL)	AA	AA	25,525,169	51.05%	1,357,929	1,357,929
JS Investments Limited (JSIL)	A+	A+	52,236,978	52.24%	561,192	561,192
					1,919,121	1,919,121

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

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	Note	2014 Rupees in '000	2013
10.3 Particulars of provision for diminution in value of investments			
Opening balance		231,500	208,344
Charge for the year		229,360	44,958
Reversal on disposal of investments		(68,216)	(21,802)
		161,144	23,156
Closing balance		392,644	231,500
10.3.1 Particulars of provision for diminution in value of investments by type and segment			
Available-for-sale			
Preference shares of listed company		136,589	88,353
Open end mutual funds	10.2.9.1	-	68,217
Term finance certificates - unlisted		132,745	74,930
Term finance certificates - listed		123,310	-
		392,644	231,500
10.4 Unrealized gain / (loss) on revaluation of investments classified as held-for-trading securities			
Market treasury bills		(166)	(9,558)
Pakistan investment bonds		340,175	2,317
Ordinary shares of listed companies		-	124,320
		340,009	117,079
11. ADVANCES - net			
Loans, cash credit, running finances, etc.			
In Pakistan		55,003,480	32,483,931
Outside Pakistan		-	-
		55,003,480	32,483,931
Net investment in finance lease in Pakistan	11.2	1,618,581	582,682
Bills discounted and purchased (excluding treasury bills)			
payable in Pakistan		866,117	944,448
payable outside Pakistan		1,276,707	1,152,631
		2,142,824	2,097,079
Advances - gross	11.1	58,764,885	35,163,692
Provision against non-performing advances - specific	11.4	(2,051,035)	(1,398,195)
Provision against non-performing advances - general	11.4	(7,784)	(2,990)
		(2,058,819)	(1,401,185)
Advances - net of provision		56,706,066	33,762,507
11.1 Particulars of advances (gross)			
11.1.1			
In local currency		55,479,754	34,011,061
In foreign currency		3,285,131	1,152,631
		58,764,885	35,163,692
11.1.2			
Short term (for upto one year)		52,828,820	32,390,823
Long term (for over one year)		5,936,065	2,772,869
		58,764,885	35,163,692



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11.2 Particulars of net investment in finance lease

	2014			2013		
	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	610,926	954,622	1,565,548	232,614	323,363	555,977
Guaranteed residual value	21,012	297,724	318,736	11,452	103,598	115,050
Minimum lease payments	631,938	1,252,346	1,884,284	244,066	426,961	671,027
Finance charges for future periods	(138,487)	(127,216)	(265,703)	(49,353)	(38,992)	(88,345)
Present value of minimum lease payments	493,451	1,125,130	1,618,581	194,713	387,969	582,682

11.3 Advances include Rs. 2,812.617 million (2013: Rs. 2,758.377 million) which have been placed under non-performing status as detailed below:

Category of classification	Note	2014			Provision required	Provision held
		Domestic	Overseas	Total		
		Rupees in '000				
Other assets especially mentioned		-	-	-	-	-
Substandard		4,159	-	4,159	-	-
Doubtful		158,122	-	158,122	2,065	2,065
Loss		2,650,336	-	2,650,336	2,048,970	2,048,970
	11.3.1	2,812,617	-	2,812,617	2,051,035	2,051,035

Category of classification	2013			Provision required	Provision held
	Domestic	Overseas	Total		
	Rupees in '000				
Other assets especially mentioned	-	-	-	-	-
Substandard	414,666	-	414,666	50,016	50,016
Doubtful	34,269	-	34,269	3,361	3,361
Loss	2,309,442	-	2,309,442	1,344,818	1,344,818
	2,758,377	-	2,758,377	1,398,195	1,398,195

11.3.1 The State Bank of Pakistan (SBP) vide its letter number BPRD/BRD-(Policy)/2014-11546 dated June 27, 2014 has allowed the relaxation from PR-8 to the Bank from provision required in respect of the Bank's exposure in Agritech Limited. The provision is held at 75% of the required provision in this unconsolidated financial statements whereas the remaining provision will be made in phased manner at 80%, 85%, 90% and 100% by end of each quarter respectively till December 31, 2015. Had the relaxation not been granted by the SBP, the provision charge (net of benefit of forced sale value) for the year would have been increased by net of tax amounting to Rs. 160.435 million.

11.4 Particulars of provision against non-performing advances

	2014			2013		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	1,398,195	2,990	1,401,185	970,062	1,191	971,253
Charge for the year	749,436	4,794	754,230	560,758	1,799	562,557
Reversals	(96,596)	-	(96,596)	(132,625)	-	(132,625)
	652,840	4,794	657,634	428,133	1,799	429,932
Amount written off from the opening balance	-	-	-	-	-	-
Closing balance	2,051,035	7,784	2,058,819	1,398,195	2,990	1,401,185

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	2014			2013		
	Specific	General	Total	Specific	General	Total
	----- Rupees in '000 -----					
In local currency	2,051,035	7,784	2,058,819	1,398,195	2,990	1,401,185
In foreign currencies	-	-	-	-	-	-
	<u>2,051,035</u>	<u>7,784</u>	<u>2,058,819</u>	<u>1,398,195</u>	<u>2,990</u>	<u>1,401,185</u>

11.4.1 The general provision includes provision made against consumer portfolio in accordance with the Prudential Regulations issued by SBP at 1.5% and 5% of fully secured consumer, and credit card portfolio (unsecured) respectively.

11.5 The State Bank of Pakistan through various circulars has allowed benefit of the forced sale value (FSV) of Plant and Machinery under charge, pledged stock and mortgaged residential, commercial and industrial properties (land and building only) held as collateral against non-performing loans (NPLs) for a maximum of five years from the date of classification. As at December 31, 2014, the Bank has availed cumulative benefit of FSV of Rs.432.601 million (2013: 782.624 million) under the directives of the SBP. Had the benefit not been taken the unappropriated profit after tax would have been reduced by Rs. 281.190 million (2013: Rs. 508.706 million). Further, as required by the SBP directives, this unappropriated profit will not be available for distribution as dividend or other appropriations.

11.6 **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	2014	2013
		Rupees in '000	
Balance at the beginning of the year		871,927	640,074
Loans granted during the year		380,657	378,599
Repayments		(168,395)	(146,746)
Balance at the end of the year		<u>1,084,189</u>	<u>871,927</u>

Debts due by subsidiaries and associates are disclosed in note 40.

12. OPERATING FIXED ASSETS

Capital work-in-progress	12.1	82,777	278,004
Property and equipment	12.2	1,983,329	1,710,560
Intangible assets	12.3	1,700,744	1,638,948
		<u>3,766,850</u>	<u>3,627,512</u>

12.1 Capital work-in-progress

Civil works	23,965	15,913
Advance for purchase of land and building	-	200,823
Advance for purchase of furniture and fixtures	2,128	2,402
Advance for purchase of vehicles	13,453	7,639
Advance for purchase of equipment and software	43,231	51,227
	<u>82,777</u>	<u>278,004</u>



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12.2 Property and equipment

	COST			ACCUMULATED DEPRECIATION				Book value		
	As at January 01, 2014	Additions / Adjustments	Deletions	As at December 31, 2014	As at January 01, 2014	Depreciation on deletions / adjustments	Charge for the year	As at December 31, 2014	as at December 31, 2014	Rate %
----- Rupees in '000 -----										
Leasehold land	119,367	215,500 (119,367)	-	215,500	-	-	-	-	215,500	-
Building on free hold land	51,716	-	-	51,716	2,220	-	1,589	2,742	48,974	1.01
Building on lease hold land	347,599	34,862	-	382,461	42,817	-	7,346	51,250	331,211	1.02 - 4.78
Lease hold improvements	557,493	90,098 (202)	(95)	647,294	224,785	(68) (609)	60,576	284,684	362,610	10
Furniture and fixture	237,664	43,637	(2,120)	279,181	108,159	(1,847) 255	30,241	136,808	142,373	12.5
Electrical, office and computer equipment	1,146,517	223,978 (687)	(11,062)	1,358,746	630,752	(7,393) 59	150,190	773,608	585,138	12.5- 33.3
Vehicles	404,614	133,448	(33,811)	504,251	145,677	(26,910) 21	87,940	206,728	297,523	20
	2,864,970	741,523 (120,256)	(47,088)	3,439,149	1,154,410	(36,218) (254)	337,882	1,455,820	1,983,329	

	COST			ACCUMULATED DEPRECIATION				Book value		
	As at January 01, 2013	Additions / Adjustments	Deletions	As at December 31, 2013	As at January 01, 2013	Depreciation on deletions / adjustments	Charge for the year	As at December 31, 2013	as at December 31, 2013	Rate %
----- Rupees in '000 -----										
Leasehold land	119,367	-	-	119,367	-	-	-	-	119,367	-
Building on free hold land	55,478	- (3,762)	-	51,716	2,007	- (309)	522	2,220	49,496	1.01
Building on lease hold land	342,300	1,400 3,899	-	347,599	27,644	- 7,354	7,819	42,817	304,782	1.02 - 4.78
Lease hold improvements	489,944	69,971 (137)	(2,285)	557,493	181,761	(391) (7,045)	50,460	224,785	332,708	10
Furniture and fixture	202,791	34,873	-	237,664	82,375	-	25,784	108,159	129,505	12.5
Electrical, office and computer equipment	900,136	248,259	(1,878)	1,146,517	518,563	(894)	113,083	630,752	515,765	12.5- 33.3
Vehicles	333,371	131,318	(60,075)	404,614	122,949	(48,064)	70,792	145,677	258,937	20
	2,443,387	485,821 (64,238)		2,864,970	935,299	(49,349)	268,460	1,154,410	1,710,560	

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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. 375.587 million (2013: Rs. 354.501 million).

12.2.2 The details of disposals of assets whose original cost or book value exceeds one million rupees or two hundred and fifty thousand rupees respectively, whichever is lower, are given in Annexure I of these unconsolidated financial statements.

12.3 Intangible assets

Note	COST			ACCUMULATED AMORTISATION			Book value as at December 31, 2014	Rate %
	As at January 01, 2014	Additions / Adjustment	As at December 31, 2014	As at January 01, 2014	Deletions / Adjustment	Charge for the year		
	Rupees in '000							
Computer software	267,864	94,121	362,926	92,540	-	33,039	125,806	10
		941			227	-		
Goodwill	1,463,624	-	1,463,624	-	-	-	-	1,463,624
	1,731,488	95,062	1,826,550	92,540	227	33,039	125,806	1,700,744

Note	COST			ACCUMULATED AMORTISATION			Book value as at December 31, 2013	Rate %
	As at January 01, 2013	Additions	As at December 31, 2013	As at January 01, 2013	Charge for the year	As at December 31, 2013		
	Rupees in '000							
Computer software	193,551	74,313	267,864	71,418	21,122	92,540	175,324	10
Goodwill	1,463,624	-	1,463,624	-	-	-	1,463,624	-
	1,657,175	74,313	1,731,488	71,418	21,122	92,540	1,638,948	

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

12.3.2 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.

	2014	2013
	Percentages	
Discount rate	23.18	21.62
Terminal growth rate	10.00	10.00



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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. 1,388.352 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	
	2014	2013
	Percentages	
Cost of equity	4.08	1.95
Terminal growth rate	(7.98)	(3.18)

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	Note	2014 Rupees in '000	2013
13. DEFERRED TAX LIABILITIES - net			
Deferred tax debits arising from:			
Unused tax losses		429,467	995,770
Provision against investments		137,425	81,025
Provision against loans and advances		119,970	96,754
Minimum tax	13.2	194,148	160,075
Unrealized loss on derivative Instruments		63,629	(3,589)
Provision for Workers' Welfare Fund		26,145	14,888
		970,784	1,344,923
Deferred tax credits arising due to:			
Operating fixed assets		(145,640)	(172,216)
Goodwill		(410,095)	(358,588)
Unrealised gain on revaluation of investment classified as held for trading		(119,003)	(40,978)
(Surplus) / deficit on revaluation of investment classified assets as available for sale		(740,827)	110,464
		(1,415,565)	(461,318)
		(444,781)	883,605

13.1 Movement in temporary differences during the year:

	Balance as at January 01, 2013	Recognised in profit and loss account	Recognised in equity / OCI	Balance as at December 31, 2013	Recognised in profit and loss account	Recognised in equity / OCI	Balance as at December 31, 2014
----- 'Rupees in '000 -----							
Deferred tax debits arising from:							
Unused tax losses	984,193	11,577	-	995,770	(563,802)	(2,501)	429,467
Provision against investments	72,920	8,105	-	81,025	56,400	-	137,425
Provision against loans and advances	106,869	(10,115)	-	96,754	23,216	-	119,970
Minimum tax (note. 13.2)	81,968	78,107	-	160,075	34,073	-	194,148
Unrealised (gain) / loss on revaluation of derivative financial instruments	818	(4,407)	-	(3,589)	67,218	-	63,629
Provision for Workers' Welfare Fund	-	14,888	-	14,888	11,257	-	26,145
	1,246,768	98,155	-	1,344,923	(371,638)	(2,501)	970,784
Deferred tax credits arising due to:							
Operating fixed assets	(142,171)	(30,045)	-	(172,216)	26,576	-	(145,640)
Goodwill	(307,361)	(51,227)	-	(358,588)	(51,507)	-	(410,095)
Unrealised loss of revaluation of investment classified as held for trading	(324)	(40,654)	-	(40,978)	(78,025)	-	(119,003)
Surplus / (deficit) on revaluation of investment classified assets as available for sale	(97,639)	-	208,103	110,464	-	(851,291)	(740,827)
	(547,495)	(121,926)	208,103	(461,318)	(102,956)	(851,291)	(1,415,565)
	699,273	(23,771)	208,103	883,605	(474,594)	(853,792)	(444,781)

13.2 Adjustability of minimum tax (in future years) is provided under section 113(2)(c) of the Income Tax Ordinance, 2001 (the Ordinance). The said provision provides that the excess of minimum tax over 'actual carried forward for adjustment against tax liability (up to five years). However, in previous year, the Sindh High Court (SHC) passed an order against the issue which had arisen where 'actual tax payable for the year is Nil, and whole amount of minimum tax was considered for adjustment in future. The SHC passed an order that 'actual tax payable should be an absolute amount, and cannot be zero or nil; therefore minimum tax paid in such a situation is not eligible for adjustment in future, in terms of section 113(2)(c) of the Ordinance. Aforesaid decision of the SHC has been further appealed, and issue is now subjudiced before the Supreme Court of Pakistan (SCP). Management and its tax advisors are of the opinion that, based on valid legal grounds, favourable outcome is expected. Accordingly, till the finalization of matter at the SCP, the Bank will continue to carry forward the tax paid.



NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

	Note	2014 Rupees in '000	2013 Rupees in '000
14. OTHER ASSETS			
Mark-up / income accrued in local currency	14.1	4,787,016	1,299,585
Mark-up / income accrued in foreign currency		39,535	28,501
Advances, deposits, advance rent and other prepayments		271,608	233,930
Taxation (payments less provision)		59,274	-
Receivable against bancassurance from related party		17,604	20,935
Stationery and stamps in hand		6,574	3,464
Prepaid exchange risk fee		463	507
Unrealised gain on forward foreign exchange contracts - net	27	-	10,254
Receivable from other banks in respect of remittance	14.2	331,905	255,917
Non-banking assets acquired in satisfaction of claims	14.3	141,900	21,823
Others		80,510	70,620
		<u>5,736,389</u>	<u>1,945,536</u>
Less: Provision held against other assets	14.4	(10,861)	(3,177)
Other assets (net of provisions)		<u>5,725,528</u>	<u>1,942,359</u>
14.1	This includes an amount of Rs. 39.217 million (2013: 7.842 million) due from related parties.		
14.2	This includes an amount of Rs. 284.675 million (2013: 197.115 million) receivable from State Bank of Pakistan in respect of home remittance services provided by the Bank.		
		2014	2013
		Rupees in '000	
14.3	Non banking assets acquired in satisfaction of claims		
		<u>200,600</u>	<u>38,419</u>
14.4	Provision held against other assets		
		<u>3,177</u>	<u>3,177</u>
Opening balance		3,177	3,177
Charge for the year		7,684	-
Reversal for the year		-	-
Net charge for the year		7,684	-
Closing balance		<u>10,861</u>	<u>3,177</u>
15. BILLS PAYABLE			
In Pakistan		1,376,150	1,409,681
Outside Pakistan		3,870	5,112
		<u>1,380,020</u>	<u>1,414,793</u>
16. BORROWINGS			
In Pakistan		50,534,741	20,146,703
Outside Pakistan		3,232	4,143
		<u>50,537,973</u>	<u>20,150,846</u>
16.1 Particulars of borrowings with respect to currencies			
In local currency		50,534,741	20,146,703
In foreign currencies		3,232	4,143
		<u>50,537,973</u>	<u>20,150,846</u>

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

	Note	2014 Rupees in '000	2013
16.2 Details of borrowings from financial institutions			
Secured			
Borrowings from SBP under export refinancing scheme	16.2.1	3,657,927	1,976,100
Repurchase agreement borrowings	16.2.2	46,876,814	17,180,603
		50,534,741	19,156,703
Unsecured			
Call borrowings	16.2.3	-	990,000
Overdrawn nostro accounts		3,232	4,143
		3,232	994,143
		50,537,973	20,150,846

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 from 6.50% to 8.4% (2013: 8.40%) per annum.

16.2.2 This represents collateralised borrowing against Government Securities carrying mark-up at the rate ranging between 9.70% to 10.30% (2013: 10.00% to 10.50%) per annum and would mature between January 02, 2015 to February 27, 2015 (2013: January 03, 2014).

16.2.3 These represent call money borrowings from financial institutions, carrying interest at the rate of Nil (2013: 9.00%) per annum.

	2014 Rupees in '000	2013
17. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	46,411,555	25,729,940
Savings deposits	25,558,374	24,082,503
Current accounts - non-remunerative	27,371,408	22,146,983
Margin accounts	566,583	484,583
	99,907,920	72,444,009
Financial Institutions		
Remunerative deposits	8,750,749	8,375,651
Non-remunerative deposits	81,291	96,465
	8,832,040	8,472,116
	108,739,960	80,916,125
17.1 Particulars of deposits		
In local currency	103,233,699	74,764,676
In foreign currencies	5,506,261	6,151,449
	108,739,960	80,916,125



NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

	Note	2014	2013
		Rupees in '000	
18. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency	18.1	1,120,464	549,279
Mark-up / return / interest payable in foreign currency		4,118	13,184
Accrued expenses		327,069	223,301
Payable in respect of defined benefit obligation - net	35.5	21,349	1,289
Customer insurance payable		1,128	6,863
Unrealised loss on revaluation of derivative instruments	27	181,796	-
Unclaimed dividends		4,207	4,207
Government duties		52,982	35,150
Donation payable	28.1	32,000	10,000
Lease key money deposit		314,768	115,050
Provision for Workers' Welfare Fund	18.2	74,702	42,536
Payable against remittance		270,157	241,611
Taxation (payments less provision)		-	36,389
Visa debit card payable		38,218	21,444
Retention money payable		11,918	1,737
Payable against maintenance of IT equipment		6,811	2,413
Others		72,850	49,862
		2,534,537	1,354,315

18.1 Included herein is a sum of Rs. 17.915 million (2013: Rs. 9.938 million) payable to related parties.

18.2 Prior to certain amendments made through the Finance Acts of 2006 & 2008, Worker Welfare Fund (WWF) was levied at 2% of the total income assessable under the Income Tax Ordinance, 2001 excluding incomes falling under the Final Tax Regime (FTR). Through Finance Act, 2008, an amendment was made in Section 4(5) of the Workers' Welfare Fund Ordinance, 1971 (the Ordinance) whereby WWF liability is applicable at 2% of the higher of the profit before taxation as per the accounts or declared income as per the return.

Aggrieved by the amendments made through the Finance Act, certain stakeholders filed petition against the changes in the Lahore and Peshawar High Courts, which struck down the aforementioned amendments to the Ordinance in 2011. However, some stakeholders also filed the petition in the Sindh High Court which, in 2013, decided the petition against the stakeholders. The Bank along with its group companies has decided to file the petition in the Supreme Court against the changes. Therefore, until the matter is decided, on prudent basis, the Bank has recognized aggregate provision as per Finance Act, 2008.

19. SHARE CAPITAL

19.1 Authorised capital

2014	2013		2014	2013
Number of shares			Rupees in '000	
<u>1,350,000,000</u>	<u>1,350,000,000</u>	Ordinary shares of Rs.10 each	<u>13,500,000</u>	<u>13,500,000</u>

19.2 Issued, subscribed and paid-up capital

2014	2013		2014	2013
Number of shares			Rupees in '000	
538,558,965	538,558,965	Issued for cash	5,385,590	5,385,590
533,905,297	533,905,297	Issued for consideration other than cash	5,339,053	5,339,053
<u>1,072,464,262</u>	<u>1,072,464,262</u>		<u>10,724,643</u>	<u>10,724,643</u>

19.3 As at December 31, 2014, Jahangir Siddiqui Co. Ltd (the parent company) held 755,245,007 ordinary shares of Rs. 10 each (70.42% holding).

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

20. PREFERENCE SHARES

20.1 Authorised capital

2014	2013		2014	2013
Number of shares		Note	Rupees in '000	
<u>150,000,000</u>	<u>-</u>	Convertible preference shares of Rs.10 each	<u>1,500,000</u>	<u>-</u>
		1.3		

20.2 On February 19, 2014, the Bank has issued 150 million preference shares of Rs. 10 each. As a result of this transaction, the paid-up capital of the Bank has increased by Rs 1.5 billion. The major terms and conditions of the preference shares are as follows:

Instrument: Un-listed, convertible, irredeemable, perpetual, non-cumulative, non-voting preference shares.

Issue Price: Issued at par value of Rs. 10 per shares.

Tenure: Four years from the date of issuance of preference shares.

Conversion ratio: For every one preference share, 1.5 ordinary shares will be issued i.e. 1:1.5

Dividend: Non-cumulative at the fixed rate of 12% per annum. No compensation would be available to the preference shareholders other than the agreed return i.e. 12% p.a. which will be paid in the form of cash dividend. The distribution of dividend is not obligatory and will be allowed only if the Bank has earned sufficient profit in the current year to pay dividend and is in compliance with all the regulatory capital (MCR and CAR) and provisioning requirements.

20.3 As at December 31, 2014, Jahangir Siddiqui Co. Ltd (the parent company) held 145,374,878 preference shares of Rs. 10 each (96.92% holding).

	Note	2014	2013
		Rupees in '000	
21. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - net of tax			
Available-for-sale securities:			
Government securities		2,003,219	(447,038)
Ordinary shares - listed		185,775	142,435
Preference shares - listed		-	21,003
Term Finance Certificates - listed		(5,187)	(54,040)
Open end mutual funds		11,914	97,929
Foreign currency bonds (US \$)		(79,072)	(75,899)
		<u>2,116,649</u>	<u>(315,610)</u>
Related deferred tax (liability) / asset	13	(740,827)	110,464
		<u>1,375,822</u>	<u>(205,146)</u>

22. CONTINGENCIES AND COMMITMENTS

22.1 Transaction-related contingent liabilities
Includes performance bonds, bid bonds, warranties,

i) Government		4,733,516	2,520,803
ii) Banking companies and other financial institutions		362,326	210,521
iii) Others		1,387,650	333,832
	22.1.1	<u>6,483,492</u>	<u>3,065,156</u>

22.1.1 Included herein the outstanding amount of Rs. 36.934 million (2013: Rs. 5.612 million) of related parties.



NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

	Note	2014 Rupees in '000	2013
22.2 Trade-related contingent liabilities			
Documentary credits	22.2.1	<u>7,828,275</u>	<u>4,882,691</u>
22.2.1	Included herein the outstanding amount of Rs. 40.530 million (2013: Nil) of related parties.		
22.3 Other contingencies			
Claims not acknowledged as debts		<u>66,791</u>	<u>66,896</u>
22.4 Commitments in respect of forward lending			
Forward commitment to extend credit		<u>2,420,850</u>	<u>675,700</u>
22.5 Commitment in respect of capital expenditure		<u>88,872</u>	<u>75,320</u>
22.6 Commitments in respect of derivative instruments			
22.6.1 Forward exchange contracts			
Purchase		<u>6,110,485</u>	<u>6,988,325</u>
Sale		<u>7,142,322</u>	<u>6,485,184</u>
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.			
22.6.2 Forward government securities			
Purchase		<u>834,171</u>	<u>-</u>
Sale	22.6.2.1	<u>5,875,879</u>	<u>-</u>
22.6.2.1	Included herein the outstanding amount of Rs. 1,168.101 million (2013: Nil) with subsidiary company.		
22.6.3 Cross currency swaps (notional principal)		<u>1,588,850</u>	<u>1,084,500</u>

Derivative instruments, such as Forward Rate Agreement, Interest Rate Swaps, Cross Currency Swaps and FX Options, are forward transactions that provide market making opportunities / hedge against the adverse movement of interest and exchange rates. Derivatives business provides risk solutions for the existing and potential customers of the Bank. All derivative transactions are governed by the Financial Derivatives Business Regulations (FDBR) issued by the State Bank of Pakistan (SBP).

The Bank has entered into a Cross Currency Swap transaction with its customer on back-to-back basis with an Authorized Derivative Dealer (ADD) without carrying any open position in its books. Specific approvals for the transactions have been granted by State Bank of Pakistan. Policies in line with SBP instructions have been formulated and are operative.

The transaction carries credit risk which is the risk that a party to a derivative contract will fail to perform its obligation. There are two types of credit risk associated with derivative transactions; 1) settlement, and 2) pre-settlement risk. Bank's Central Credit Committee is responsible for reviewing and managing associated Counterparty Credit Risks of the transaction.

Accounting policies in respect of derivative financial instruments are described in note 6.4.2.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

22.6.3.1 Product Analysis

Counterparties	Cross currency swaps			
	2014		2013	
	Number of contracts	Notional principal Rupees '000	Number of	Notional principal Rupees '000
With Banks for Hedging	-	-	-	-
Market Making	4	1,588,850	2	1,084,500
	4	1,588,850	2	1,084,500

At the exchange rate prevailing at the end of the reporting period.

22.6.3.2 Maturity Analysis

Remaining maturity	2014				
	Number of contracts	Notional principal	Mark to market		
			Negative	Positive	Net
Upto 1 month					
1 to 3 months					
3 to 6 months					
6 month to 1 year					
1 to 2 year					
2 to 3 years	4	1,588,850	(29,346)	36,713	7,367
3 to 5 years					
5 to 10 years					
Above 10 years					

Remaining maturity	2013				
	Number of contracts	Notional principal	Mark to market		
			Negative	Positive	Net
Upto 1 month					
1 to 3 months					
3 to 6 months					
6 month to 1 year					
1 to 2 year					
2 to 3 years	2	1,084,500	(42,738)	46,837	4,099
3 to 5 years					
5 to 10 years					
Above 10 years					

23. MARK-UP / RETURN / INTEREST EARNED

On loans and advances to:

	2014	2013
	Rupees in '000	
Customers	4,957,184	2,738,532
Financial institutions	91,114	57,566
	5,048,298	2,796,098

On investments in:

Available-for-sale securities	4,033,390	2,328,850
Held-for-trading securities	1,472,409	1,454,585
	5,505,799	3,783,435

On deposits with financial institutions

	84	89
On securities purchased under resale agreements	559,199	270,319
	11,113,380	6,849,941



NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

	Note	2014	2013
		Rupees in '000	
24. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		5,580,361	3,887,381
Securities sold under repurchase agreements		1,458,414	444,253
Borrowings		220,565	193,048
		<u>7,259,340</u>	<u>4,524,682</u>

25. FEE, COMMISSION AND BROKERAGE INCOME

Advisory fee		69,903	53,315
Trustee fee		6,185	3,295
Other fees, commission and charges	25.1	758,843	594,965
		<u>834,931</u>	<u>651,575</u>

25.1 This includes Rs. 71.862 million (2013: Rs. 87.493 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	2014	2013
		Rupees in '000	
26. GAIN ON SALE OF SECURITIES - net			
Federal Government Securities			
- Market Treasury Bills		16,698	53,409
- Pakistan Investment Bonds		826,360	150,340
- Ijara Sukuk Certificates		180	151
Ordinary shares - listed		232,594	16,412
Term finance certificates		6	621
Foreign currency bonds		23,716	(3,749)
Mutual fund units	26.1	74,025	5,190
		<u>1,173,579</u>	<u>222,374</u>

26.1 This represents gain arising on sale of shares / units of a related party.

		2014	2013
		Rupees in '000	
27. OTHER (LOSS) / INCOME - net			
Gain on sale of operating fixed assets		16,635	39,879
Unrealised loss on revaluation of derivative instruments			
Forward Government securities - net		(207,223)	-
Forward foreign exchange contracts - net		18,059	6,155
Cross currency swaps - net		7,368	4,099
		<u>(181,796)</u>	<u>10,254</u>
		<u>(165,161)</u>	<u>50,133</u>

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

	Note	2014	2013
		Rupees in '000	
28. ADMINISTRATIVE EXPENSES			
Salaries, wages, allowances, etc.		1,474,768	1,143,589
Contractor wages		168,767	142,003
Charge for defined benefit plan - net	35.5	28,497	14,566
Contribution to defined contribution plan		61,087	49,593
Non-executive directors' fee, allowances and other expenses	37.1	1,836	830
Brokerage, fee and commission		30,241	19,438
Rent, taxes, insurance, electricity, etc.		652,850	535,650
Legal and professional charges		63,465	19,655
Donations	28.1	32,000	10,000
Communications		65,618	55,563
Repairs and maintenance		433,781	308,611
Travel, conveyance and other related expenses		24,608	21,078
Stationery and printing		113,900	77,484
Advertisement and publicity		95,016	85,142
Postage and courier service		30,718	20,156
Stamp duty		4,537	9,288
CDC and other charges		6,371	2,423
Bank and clearing house charges		49,359	38,149
Consultancy fee		44,694	47,403
Security services charges		119,603	85,401
Fees and subscription		22,401	20,326
Auditors' remuneration	28.2	5,369	5,300
Depreciation	12.2	337,882	268,460
Amortisation	12.3	33,039	21,122
Staff training		8,580	3,745
Others		41,965	33,093
		<u>3,950,952</u>	<u>3,038,068</u>

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

	2014	2013
	Rupees in '000	
28.2 Auditors' remuneration		
Audit fee	1,450	1,450
Half-yearly review	500	500
Special certification and sundry advisory services	2,327	2,427
Taxation services	350	350
Out of pocket expenses	742	573
	<u>5,369</u>	<u>5,300</u>

29. OTHER PROVISIONS / WRITE OFFS

29.1 This represents provision held against other assets.

30. OTHER CHARGES

Penalties imposed by State Bank of Pakistan		26,397	544
Provision for Workers' Welfare Fund	18.2 & 30.1	32,165	10,027
		<u>58,562</u>	<u>10,571</u>

30.1 Provision held @ 2% of the higher of profit before tax or taxable income under Workers Welfare Ordinance, 1971.

31. TAXATION

31.1 In view of tax losses of the Bank tax provision has been made for minimum taxation @ 1% (2013: 1%) under section 113 of the Income Tax Ordinance, 2001.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

	2014	2013
	Rupees in '000	
31.2 Relationship between income tax expense and accounting profit		
Accounting profit for the year	<u>1,608,225</u>	<u>501,371</u>
Tax on income @ 35% (2013: 35%)	(562,879)	(175,480)
Effect of permanent differences	(9,237)	(190)
Adjustments in respect of tax at reduced rates	33,744	83,958
Effects of prior year deferred taxation	(58,423)	(58,376)
Effects of prior year current taxation	48,609	-
Tax charge for the year	<u>(548,186)</u>	<u>(150,088)</u>

31.3 The Bank has filed income tax returns under Section 114 of the Income Tax Ordinance, 2001 for the tax years 2009 through 2014. The said returns so filed were deemed to be assessed in terms of the returns filed under the provisions of prevailing income tax laws as applicable in Pakistan. However, the Officers of Inland Revenue Services (OIR) conducted the proceedings for making certain amendments in the deemed assessments for tax years 2008 to 2013. This was done by taking recourse of conducting tax audit or alternatively a direct amendment in the assessment contending that certain matters in the deemed assessments were not admissible as not conforming to the law and prejudiced the interest of revenue.

Based on the amended assessments, in all the aforementioned years, the department has made certain disallowances of expenses and tax deductible claims besides creating minimum tax and Workers' Welfare Fund liabilities in the tax years 2010 & 2011 and tax years 2009 & 2012 respectively. The Bank has not accepted the amendments and have filed appeals before the Commissioner Inland Revenue-Appeals (the CIRA). With regard to appeals filed for tax year 2011 to 2013, the CIRA has decided the appeals accepting the Bank's contentions in respect of significant issues. Whereas, the contentious matter of levy of workers welfare fund and disallowance of amortization claim of goodwill have been decided in favor of department. The exposures related to WWF and goodwill have already been taken care of in the books of the Bank. However, the Bank is contesting the matters in further appeals before Appellate Tribunal Inland Revenue (ATIR). The Bank has also filed petitions in the High Court of Sindh and has obtained stay against recovery of the aforementioned liabilities.

Further, the appeals for tax years 2008-2010 are pending for hearing before CIRA. In case of tax year 2008, the Bank's main contention is on time limitation applicable on the amendment of the assessment and cannot be carried out and same has already been decided by Honorable Supreme Court of Pakistan in favor of aggrieved person which is identical to Bank's case, therefore there are strong chances that amendment order for tax year 2008 would be time barred and any addition made in that year would have been annulled.

The management of the Bank is confident that the decision in respect of the above matters will be in the Bank's favour and accordingly no demand for payment would arise.

The Bank has commenced its operations in Azad Jammu & Kashmir from tax year 2009 and it has filed separate returns for the tax years 2009 to 2014 with the tax authorities of such region. The Commissioner has issued notice to select the return filed for the Tax Year 2011 for imitating audit proceeding. Proceedings are under progress and ultimate liability cannot be ascertained reasonably at this point of time.

			2014	2013
32. EARNINGS PER SHARE - BASIC AND DILUTED		Note		
Profit after taxation for the year - attributable to ordinary equity holders of the Bank for basic and diluted	Rupees in '000	32.1	<u>1,060,039</u>	<u>351,283</u>
Weighted average number of basic outstanding ordinary shares during the year	Numbers		<u>1,072,464,262</u>	<u>1,072,464,262</u>
Weighted average number of diluted outstanding ordinary shares during the year			<u>1,267,258,783</u>	<u>1,072,464,262</u>
Basic earnings per share	Rupee		<u>0.99</u>	<u>0.33</u>
Diluted earnings per share	Rupee		<u>0.84</u>	<u>0.33</u>

32.1 As disclosed in note 45, the Board of Directors proposed cash preference dividend of Rs. 155.836 million (2013: Nil) for the preference shareholders. Since it is non-adjusting event in accordance with International Accounting Standard - IAS 10 "Events after the Reporting Period", the basic earnings per share has not been adjusted. However, if the impact of the proposed preference dividend is taken, the basic earnings per share would be decreased by Re. 0.15 (2013: Nil).

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

	Note	2014 Rupees in '000	2013
33. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	7	9,041,269	7,773,892
Balances with other banks	8	412,232	514,982
Overdrawn nostro account	16.2	(3,232)	(4,143)
		<u>9,450,269</u>	<u>8,284,731</u>
34. STAFF STRENGTH		2014	2013
		Numbers	
Permanent		1,522	1,303
Temporary / on contractual basis		51	42
Bank's own staff strength at the end of the year		<u>1,573</u>	<u>1,345</u>
Third party contract		869	737
		<u>2,442</u>	<u>2,082</u>
35. DEFINED BENEFIT PLAN			
35.1 General description			

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

The defined benefit is administered by a separate fund that is legally separate from the Bank. The plan is governed by the trust deed dated September 01, 2007. The trustees of the gratuity fund are composed of representatives from employers. The trustees of the gratuity fund are required by the trust deed to act in the interest of the fund and of all relevant stakeholders in the scheme, i.e. active employees, inactive employees, retirees and employers. The trustees of the gratuity fund are responsible for the investment policy with regard to the assets of the fund.

35.2 The plan in Pakistan typically exposes the Bank to actuarial risks such as: salary risk, discount rate risk, mortality risk and investment risk defined as follow:

- Salary increase risk:

This is the risk that the salary at the time of cessation of service is higher than that assumed by us. This is a risk to the Bank because the benefits are based on the final salary; if the final salary is higher than what we've assumed, the benefits will also be higher.

- Discount rate risk

The discount rate is based on the yield on government bonds. If the market yield of bonds varies, the discount rate would vary in the same manner and would affect the present value of obligation and fair value of assets.

- Mortality / withdrawal risk:

This is the risk that the actual mortality/withdrawal experience is different than that assumed by us.

- Investment risk

This is the risk that the assets are underperforming and are not sufficient to meet the liabilities.

- Maturity profile

The weighted average duration of the defined benefit obligation works out to 12.8 years.



NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

35.3 Number of employees under the schemes

The number of employees covered under defined benefit scheme is 1,522 (2013: 1,303).

35.4 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, 2014 based on the Projected Unit Credit Method, using the following significant assumptions:

		2014	2013
Valuation discount rate	per annum	11.25%	12.50%
Expected return on plan assets	per annum	11.25%	12.50%
Future salary increase rate			
Short term	per annum	10.00%	12.50%
Long term	per annum	11.25%	12.50%
Normal retirement age	years	60	60

35.5 Movement in defined benefit obligations, fair value of plan assets and their components

	Defined benefit obligations		Fair value of plan assets		Net defined benefit liability / (asset)	
	2014	2013	2014	2013	2014	2013
	----- Rupees in (000) -----					
Balance as at January 01,	116,676	91,269	115,387	79,911	1,289	11,358
Included in profit or loss						
Current service cost	28,416	29,816	-	-	28,416	29,816
Interest cost / income	14,478	9,645	14,397	10,488	81	(843)
Curtailment gains	-	(14,407)	-	-	-	(14,407)
	42,894	25,054	14,397	10,488	28,497	14,566
Included in other comprehensive income						
Actuarial gains / losses arising from:						
- demographic assumptions	-	(14,141)	-	-	-	(14,141)
- financial assumptions	(4,734)	520	-	(1,533)	(4,734)	2,053
- Experience adjustments	1,241	14,361	3,655	3,941	(2,414)	10,420
	(3,493)	740	3,655	2,408	(7,148)	(1,668)
Others						
Contribution made during the year	-	-	1,289	22,967	(1,289)	(22,967)
Benefits paid during the year	(1,709)	(387)	(1,709)	(387)	-	-
	(1,709)	(387)	(420)	22,580	(1,289)	(22,967)
Balance as at December 31	154,368	116,676	133,019	115,387	21,349	1,289

35.6 The fair value of the plan assets at the end of the reporting period for each category, are as follows:

		Fair value of plan assets			
		2014	2013	2014	2013
		Rupees in (000)		Percentage	
Cash and cash equivalent		5,446	41,252	4.1%	35.8%
Government Securities (PIBs)	35.6.1	127,574	74,135	95.9%	64.2%
		133,020	115,387	100%	100%

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for the year ended December 31, 2014

35.6.1 The fair values of the above securities are determined based on quoted market prices in active markets having a cost of Rs. 122.900 million (2013: 75.400 million). The actual return on plan assets was Rs. 14.397 million (2013: Rs.10.488 million).

35.7 Sensitivity analysis

35.7.1 Expected maturity analysis of undiscounted defined benefit obligation for the gratuity scheme is as follows:

	Up to one year	Over 1-2 years	Over 2- 5 years	Over 6-10 years	Over 10 and above	Total
	Rupees in (000)					
Balance as at December 31, 2014	3,624	4,956	21,723	75,813	688,179	794,295

35.7.2 Significant actuarial assumptions for the determination of the defined obligation are discount rate, and expected rate of salary increase. The sensitivity analysis below has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

Particulars	Current result	Sensitivity Analysis			
	Discount rate 11.25%	12.25%	10.25%	11.25%	11.25%
	Salary rate 11.25%	11.25%	11.25%	12.25%	10.25%
December 31, 2014					
Present value of defined benefit obligation	154,368	133,544	174,729	170,746	138,854
Fair value of any plan assets	(133,019)	(130,243)	(135,893)	(133,019)	(133,019)
	21,349	3,301	38,836	37,727	5,835

Furthermore in presenting the above sensitivity analysis, the present value of the define benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in this unconsolidated statement of financial position.

35.8 The average duration of the benefit obligations at December 31, 2014 is within one year.

35.9 The Bank expects to make a contribution of Rs. 21.349 million (2013: Rs. 1.289 million) to the defined benefit plan during the next financial year.

35.10 The Bank contributes to the gratuity fund as per actuarial's expected charge for the next financial year. Based on actuarial advice and management estimates, the charge in respect of defined benefit obligation for the next one year works out to be Rs. 46.647 million. The amount of remeasurements to be recognised in other comprehensive income for year ending December 31, 2015 will be worked out as at the next valuation.

36. 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 1,233 (2013: 1,087). During the year, employees made a contribution of Rs. 61.087 million (2013: Rs. 49.6 million) to the fund. The Bank has also made a contribution of equal amount to the fund.



NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

37. COMPENSATION OF DIRECTORS AND EXECUTIVES

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

	Note	President & CEO		Non-executive directors		Executives	
		2014	2013	2014	2013	2014	2013
----- Rupees in '000 -----							
Managerial remuneration		10,065	7,484	-	-	428,617	337,162
Defined contribution plan		-	148	-	-	47,027	29,790
Charge for defined benefit plan		-	124	-	-	32,396	25,444
Rent and house maintenance		4,529	3,368	-	-	192,878	151,723
Utilities		1,006	748	-	-	42,862	33,716
Medical		21	-	-	-	6,101	4,942
Conveyance and vehicle maintenance		-	-	-	-	77,429	64,728
Performance bonus		5,000	4,000	-	-	155,960	91,490
Fees, allowances and other expenses	37.2	-	-	1,836	830	-	-
	37.3	<u>20,621</u>	<u>15,872</u>	<u>1,836</u>	<u>830</u>	<u>983,270</u>	<u>738,995</u>
Number of persons		<u>1</u>	<u>1</u>	<u>7</u>	<u>7</u>	<u>376</u>	<u>299</u>

37.2 This represents meeting fees, allowances and other expenses paid to independent or non-executive directors for attending the meetings of the Board of Directors, Audit Committees and other Board Committees held during the year.

37.3 In last year, the remuneration of the President includes the remuneration of the outgoing president. The new president was appointed with effect from July 03, 2013.

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

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 Bank's accounting policy as stated in note 6.7 to these financial statements.

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.

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for the year ended December 31, 2014

39. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	2014						Total
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Payment and settlement	Others	
	----- Rupees in '000 -----						
Total income - external	88,795	7,588,458	2,694,097	3,118,233	155,672	58,286	13,703,541
Inter-segment revenues - net	-	(3,831,606)	4,300,867	(469,261)	-	-	-
Total income	88,795	3,756,852	6,994,964	2,648,972	155,672	58,286	13,703,541
Total expenses	(4,692)	(1,726,415)	(6,716,655)	(2,391,720)	(60,266)	(369,106)	(11,268,854)
Provisions	-	(161,144)	(19,012)	(638,623)	-	(7,683)	(826,462)
Current taxation	-	-	-	-	-	(122,201)	(122,201)
Prior year charge	-	-	-	-	-	48,609	48,609
Deferred tax	-	-	-	-	-	(474,594)	(474,594)
Net income / (loss)	84,103	1,869,293	259,297	(381,371)	95,406	(866,689)	1,060,039
Segment assets (gross)	-	102,795,430	27,961,546	38,892,979	-	9,529,187	179,179,141
Segment non performing assets	-	545,603	119,049	2,693,568	-	10,861	3,369,081
Segment provision required	-	(392,644)	(63,872)	(1,994,946)	-	(10,861)	(2,462,323)
Segment liabilities	-	46,880,046	74,300,903	38,096,985	1,380,020	2,979,318	163,637,271
Segment return on net assets (ROA) (%)	-	10.7%	11.6%	11.3%	-	-	-
Segment cost of funds (%)	-	10.0%	5.5%	8.5%	-	-	-

	2013						Total
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Payment and settlement	Others	
	----- Rupees in '000 -----						
Total income - external	66,299	5,326,585	1,094,391	1,833,575	167,053	39,877	8,527,780
Inter-segment revenues - net	-	(3,424,538)	3,669,938	(245,400)	-	-	-
Total income	66,299	1,902,047	4,764,329	1,588,175	167,053	39,877	8,527,780
Total expenses	(4,205)	(920,453)	(4,866,907)	(1,498,614)	(49,861)	(233,281)	(7,573,321)
Provisions	-	(23,156)	(17,169)	(412,763)	-	-	(453,088)
Current taxation	-	-	-	-	-	(126,317)	(126,317)
Deferred tax	-	-	-	-	-	(23,771)	(23,771)
Net income / (loss)	62,094	958,438	(119,747)	(323,202)	117,192	(343,492)	351,283
Segment assets (gross)	-	64,483,866	13,572,509	21,557,671	-	14,788,611	114,402,657
Segment non performing assets	-	371,451	102,892	2,655,486	-	-	3,129,829
Segment provision required	-	(231,500)	(44,861)	(1,356,324)	-	-	(1,632,685)
Segment liabilities	-	18,174,746	62,154,592	20,737,631	1,414,793	1,354,317	103,836,079
Segment return on net assets (ROA) (%)	-	9.22%	11.72%	11.22%	-	-	-
Segment cost of funds (%)	-	8.27%	5.38%	8.11%	-	-	-



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40. 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 10.2.11 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	
	2014	2013	2014	2013	2014	2013	2014	2013
----- (Rupees in '000) -----								
Advances								
Opening balance	169,529	93,552	-	156,193	1,533,221	1,378,039	1,702,750	1,627,784
Disbursements	193,227	107,070	433	764,469	3,499,285	3,388,554	3,692,945	4,260,093
Repayments	(110,752)	(31,093)	(433)	(920,662)	(3,234,705)	(3,233,372)	(3,345,890)	(4,185,127)
Closing balance	252,004	169,529	-	-	1,797,801	1,533,221	2,049,805	1,702,750
Mark-up / return / interest earned	13,156	9,268	-	14,797	123,384	119,183	136,540	143,248

	Parent		Key management personnel		Subsidiary companies		Other related parties		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
----- (Rupees in '000) -----										
Deposits										
Opening balance	1,557,270	2,002,829	23,012	16,731	860,851	621,493	5,955,347	4,387,067	8,396,480	7,028,120
Deposits	3,479,843	8,779,869	1,027,652	492,958	234,972,473	266,493,066	69,970,700	59,790,860	309,450,668	335,556,753
Withdrawals	(4,884,671)	(9,225,428)	(1,007,603)	(486,677)	(234,523,021)	(266,253,708)	(70,667,935)	(58,222,580)	(311,083,230)	(334,188,393)
Closing balance	152,442	1,557,270	43,061	23,012	1,310,303	860,851	5,258,112	5,955,347	6,763,918	8,396,480
Mark-up / return / interest expensed	43,163	128,915	1,336	1,252	74,859	54,234	279,277	328,914	398,635	513,315

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The related party status of outstanding receivables and payables as at December 31, 2014 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	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
(Rupees in '000)										
Nature of transactions										
Sale of term finance certificates	-	2,980	-	-	-	-	-	-	-	2,980
Sale of Government Securities	1,672,175	10,100,831	3,081,561	358,073	77,827,864	101,496,606	3,237,689	1,468,219	85,819,289	113,423,729
Purchase of Government Securities	1,584,850	9,223,733	287,325	-	35,582,421	16,444,151	1,498,848	7,976	38,953,444	25,675,860
Purchase of Sukuk	-	102	-	-	-	-	-	-	-	102
Sale of Sukuk	-	101	-	-	-	113,667	-	-	-	113,768
Issuance of Preference Shares	-	-	-	-	-	-	12,257	-	12,257	-
Sale of shares / units	-	-	-	-	-	-	179,244	48,394	179,244	48,394
Purchase of shares / units	-	-	-	-	-	-	-	100,000	-	100,000
Call lending / Reverse repo	-	6,163,468	-	-	-	-	-	-	-	6,163,468
Call borrowing / Repo	-	-	-	-	-	16,650,000	-	-	-	16,650,000
Purchase of forward foreign exchange contracts	-	-	-	-	-	6,442,565	-	-	-	6,442,565
Sale of forward foreign exchange contracts	-	-	-	-	-	9,360,124	-	-	-	9,360,124
Rent received / receivable	2,389	2,154	-	-	-	-	-	-	2,389	2,154
Letter of guarantees	30,000	-	584	516	-	-	36,280	5,097	66,864	5,613
Letter of credits	-	-	4,829	-	35,702	-	-	-	40,531	-
Rent expense paid / accrued	1,387	1,291	-	-	-	-	-	-	1,387	1,291
Reimbursement of expenses	746	396	-	-	-	-	3,017	-	3,763	396
Expenses incurred on behalf	2,582	2,395	-	-	-	-	-	-	2,582	2,395
Services rendered	1,650	1,512	-	-	-	-	-	16	1,650	1,528
Payment to staff benefit plan	-	-	-	-	-	-	1,289	22,967	1,289	22,967
Payment to staff contribution plan	-	-	-	-	-	-	61,087	49,550	61,087	49,550
Remuneration of key management personnel	-	-	-	-	-	-	200,240	172,530	200,240	172,530
Director fees and allowances	-	-	-	-	-	-	2,196	830	2,196	830
Insurance claim received	-	-	14,271	5,050	-	-	-	-	14,271	5,050
Payment of insurance premium	-	-	44,333	44,998	18,293	11,004	-	-	62,626	56,002
Commission paid / accrued	4,014	7,856	-	-	-	-	-	-	4,014	7,856
Commission income	60	72	9	103,830	67,657	1,829	-	640	67,726	106,371
Markup income	-	4,681	-	-	-	-	-	-	-	4,681
Markup expense	-	-	-	5,478	-	-	-	-	-	5,478
Dividend income	102,101	270,388	-	-	-	-	-	22,739	102,101	293,127
Consultancy fee	-	-	-	-	-	-	18,000	18,000	18,000	18,000

Parent company

2014 2013

(Rupees in '000)

Nature of transactions

Issuance of Preference Shares	1,453,749	-
Sale of Government Securities	736,641	2,484,725
Purchase of Government Securities	223,915	-
Rent expense paid / accrued	1,175	1,065
Reimbursement of expenses	4,701	3,461
Underwriting commission in preference shares	3,056	5,546



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41. CAPITAL ASSESSMENT AND ADEQUACY

41.1 Scope of Application

SBP Capital Adequacy Frameworks (Basel II and III) are applicable to JS Bank Limited on Standalone basis as well as on Consolidated basis by consolidating its partly owned subsidiaries - JS Global Capital Limited and JS Investments Limited. Standardised Approach is used for calculating the Capital Adequacy for Credit and Market risk, whereas, Basic Indicator Approach (BIA) is used for Operational Risk Capital Adequacy purposes.

41.2 Capital Structure- Basel III

Bank's regulatory capital is analyzed into two tiers:

Tier I capital (going concern capital) Which comprises of:

- a. Common equity Tier I 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 and other intangible assets and deficit on revaluation of available for sale investments due to insufficiency of Additional Tier I and Tier II to cover deductions.
- b. Additional Tier I which includes Instruments issued in the form of perpetual non-cumulative preference shares by the Banks, share premium resulting from the issuance of the instruments after deduction of goodwill and other intangible assets, deficit on revaluation of available for sale investments and deferred tax assets.

Tier II capital (gone concern or supplementary capital), which includes general provision for loan losses (up to maximum of 1.25% of risk weighted assets), reserve on the revaluation of fixed assets, equity investments and foreign exchange translation reserve and subordinated debt.

41.3 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 (MCR) and Capital Adequacy Ratio (CAR)

The State Bank of Pakistan (SBP) through its BSD Circular no. 7 dated April 15, 2009 require Banks / Development Finance Institutions (DFIs) to raise and maintain their paid up capital (net of losses) equivalent to Rs.10 billion. The paid-up capital (free of losses) of the Bank as at December 31, 2014 stood at Rs.10.119 billion including un-listed, convertible, irredeemable, perpetual, non-cumulative, non-voting preference shares of Rs. 1.5 billion. In addition banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 10% of their risk weighted exposure. The Bank's CAR as at 31 December 2014 stood at 12.63% of its risk weighted assets.

Basel III transition

The Basel III instructions issued by SBP has been adopted by the Banks as per the phase-in arrangements prescribed by SBP, starting from December 31, 2013, with full implementation of capital ratios by the year-end 2019. During the transition period banks shall maintain the required capital ratios in following manner;

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Phase-in Arrangement and Full implementation of the minimum capital requirements

Sr	Ratio	Year End						As of Dec 31
		2013	2014	2015	2016	2017	2018	2019
1	CET1	5.0%	5.5%	6.0%	6.0%	6.0%	6.0%	6.0%
2	ADT-1	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
3	Tier 1	6.5%	7.0%	7.5%	7.5%	7.5%	7.5%	7.5%
4	Total Capital	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
5	CCB (Consisting of CET1 only)	-	-	0.25%	0.65%	1.275%	1.900%	2.5%
6	Total Capital plus CCB	10.0%	10.0%	10.25%	10.65%	11.275%	11.90%	12.5%

The Phase in arrangement for regulatory capital adjustment required under Basel III Instructions has started from December 31, 2014 at 20% per annum with full deduction from CET1 to take effect from December 2018. During the transition period, the part which is not deducted from CET1/ Additional Tier 1/ Tier 2 will attract existing treatment. The regulatory Capital Deductions are mostly applied at the level of common equity Tier 1. In this regard, following is the transitional arrangement as prescribed by SBP;

Phase-in of all deductions from CET1 (in percentage)	Year End						As of Dec 31
	2012	2013	2014	2015	2016	2017	2018
	-	-	20%	40%	60%	80%	100%



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Note 41.4 Capital Adequacy Ratio (CAR) disclosure:

CAPITAL ADEQUACY RETURN AS OF DECEMBER 31, 2014

		2014	2013
		Rupees in '000	
		Amount	Amount
Common Equity Tier 1 capital (CET1): Instruments and reserves			
1	Fully Paid-up Capital/ Capital deposited with SBP	10,724,643	10,724,643
2	Balance in Share Premium Account	-	-
3	Reserve for issue of Bonus Shares	-	-
4	Discount on Issue of shares	(2,105,401)	(2,105,401)
5	General/ Statutory Reserves	513,707	301,699
6	Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
7	Unappropriated/unremitted profits/ (losses)	1,070,775	218,098
8	Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-
9	CET 1 before Regulatory Adjustments	10,203,724	9,139,039
10	Total regulatory adjustments applied to CET1 (Note 41.4.1)	2,215,792	3,911,759
11	Common Equity Tier 1	7,987,932	5,227,280
Additional Tier 1 (AT 1) Capital			
12	Qualifying Additional Tier 1 Capital instruments plus any related share premium	-	-
13	of which: Classified as equity	1,500,000	-
14	of which: Classified as liabilities	-	-
15	Additional Tier 1 Capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)	-	-
16	of which: instrument issued by subsidiaries subject to phase out	-	-
17	AT1 before Regulatory Adjustments	1,500,000	-
18	Total Regulatory Adjustment applied to AT1 Capital (Note 41.4.2)	820,296	1,916,132
19	Additional Tier 1 Capital after Regulatory Adjustments	679,704	-
20	Additional Tier 1 Capital recognized for Capital Adequacy	679,704	-
21	Tier 1 Capital (CET1 + admissible AT1) (11+20)	8,667,636	5,227,280
Tier 2 Capital			
22	Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	-
23	Tier 2 Capital instruments subject to phaseout arrangement issued under pre-Basel 3 rules	-	-
24	Tier 2 Capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)	-	-
25	of which: instruments issued by subsidiaries subject to phase out	-	-
26	General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	7,784	2,990
27	Revaluation Reserves (net of taxes)	-	-
28	of which: Revaluation reserves on fixed assets	-	-
29	of which: Unrealized gains/losses on AFS	770,460	-
30	Foreign Exchange Translation Reserves	-	-
31	Undisclosed/Other Reserves (if any)	-	-
32	T2 before Regulatory Adjustments	778,244	2,990
33	Total Regulatory Adjustment applied to T2 Capital (Note 41.4.3)	830,892	959,561
34	Tier 2 Capital (T2) after Regulatory Adjustments	-	-
35	Tier 2 Capital recognized for Capital Adequacy	-	-
36	Portion of Additional Tier 1 Capital recognized in Tier 2 Capital	-	-
37	Total Tier 2 Capital Admissible for Capital Adequacy	-	-
38	TOTAL CAPITAL (T1 + Admissible T2) (21+37)	8,667,636	5,227,280
39	Total Risk Weighted Assets (RWA) (for details refer Note 41.7)	68,627,129	43,574,877
Capital Ratios and buffers (in percentage of Risk Weighted Assets)			
40	CET1 to total RWA	11.64%	12.00%
41	Tier-1 Capital to total RWA	12.63%	12.00%
42	Total Capital to total RWA	12.63%	12.00%
43	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	10.00%	10.00%
44	of which: Capital conservation buffer requirement	0.00%	0.00%
45	of which: countercyclical buffer requirement	0.00%	0.00%
46	of which: D-SIB or G-SIB buffer requirement	0.00%	0.00%
47	CET1 available to meet buffers (as a percentage of risk weighted assets)	11.64%	12.00%
National Minimum Capital Requirements Prescribed by SBP			
48	CET1 minimum ratio	5.50%	5.00%
49	Tier 1 minimum ratio	7.00%	6.50%
50	Total Capital minimum ratio	10.00%	10.00%

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		2014		2013
		Rupees in '000		
Regulatory Adjustments and Additional Information		Amount	Amounts subject to Pre- Basel III treatment	Amount
Note 41.4.1	Common Equity Tier 1 Capital: Regulatory Adjustments			
1	Goodwill (net of related deferred tax liability)	1,463,624		1,463,624
2	All other intangibles (net of any associated deferred tax liability)	267,254		216,393
3	Shortfall in provisions against classified assets	-		
4	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	72,269	289,074	
5	Defined-benefit pension fund net assets	-		
6	Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	-		
7	Cash flow hedge reserve	-		
8	Investment in own shares/ CET1 instruments	-		
9	Securitization gain on sale	-		
10	Capital shortfall of regulated subsidiaries	-		
11	Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-		315,610
12	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where The Bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-		
13	Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	221,594	886,377	-
14	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-		
15	Amount exceeding 15% threshold	-		
16	of which: significant investments in the common stocks of financial entities	-		
17	of which: deferred tax assets arising from temporary differences	-		
18	National specific regulatory adjustments applied to CET1 capital	191,051		-
19	Investments in TFCs of other banks exceeding the prescribed limit	191,051		-
20	Any other deduction specified by SBP (mention details)	-		
21	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-		1,916,132
22	Total Regulatory Adjustments applied to CET1 (sum of 1 to 21)	2,215,792		3,911,759
Note 41.4.2	Additional Tier 1 and Tier 1 Capital: Regulatory Adjustments			
23	Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	-		
24	Investment in own AT1 capital instruments	-		
25	Reciprocal cross holdings in Additional Tier 1 Capital instruments of banking, financial and insurance entities	-		
26	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where The Bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-		
27	Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-		
28	Portion of deduction applied 50:50 to Tier 1 and Tier 2 Capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional Tier 1 Capital	767,648		959,561
29	Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	52,648		956,571
30	Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)	820,296		1,916,132
Note 41.4.3	Tier 2 Capital: Regulatory Adjustments			
31	Portion of deduction applied 50:50 to Tier 1 and Tier 2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier 2 Capital	767,648		959,561
32	Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-		
33	Investment in own Tier 2 capital instrument	-		
34	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where The Bank does not own more than 10% of the issued share capital (amount above 10% threshold)	63,244	252,977	
35	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-		
36	Total Regulatory Adjustment applied to T2 Capital (sum of 31 to 35)	830,892		959,561



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for the year ended December 31, 2014

Note 41.4.4	Additional Information	2014		2013	
		Rupees in '000			
		Amount		Amount	
	Risk Weighted Assets subject to pre-Basel III treatment				
37	Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)				
(i)	of which: deferred tax assets	289,074		848,490	
(ii)	of which: Defined-benefit pension fund net assets	-			
(iii)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	1,064,127		-	
(iv)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	162,230		-	
	Amounts below the thresholds for deduction (before risk weighting)				
38	Non-significant investments in the capital of other financial entities	1,127,372		570,591	
39	Significant investments in the common stock of financial entities	1,107,971		629,492	
40	Deferred tax assets arising from temporary differences (net of related tax liability)	-			
	Applicable caps on the inclusion of provisions in Tier 2				
41	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	-			
42	Cap on inclusion of provisions in Tier 2 under standardized approach	-			
43	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-			
44	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-			

41.5 Capital Structure Reconciliation

Step : 1

	As Per Balance Sheet	Under regulatory scope of consolidation
	December 31, 2014	
	Rupees in '000	
Assets		
Cash and balances with treasury banks	9,041,269	9,041,269
Balances with other banks	412,232	412,232
Lending to financial institutions	16,807,304	16,807,304
Investments	84,257,568	84,257,568
Advances	56,706,066	56,706,066
Operating fixed assets	2,035,972	2,035,972
Deferred tax assets	-	-
Other assets	7,456,406	7,456,406
Total Assets	176,716,817	176,716,817
Liabilities and Equity		
Bills payable	1,380,020	1,380,020
Borrowings	50,537,973	50,537,973
Deposits and other accounts	108,739,960	108,739,960
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	444,781	444,781
Other liabilities	2,534,537	2,534,537
Total Liabilities	163,637,271	163,637,271
Share capital/ Head office capital account	10,119,242	10,119,242
Reserves	513,707	513,707
Unappropriated/ Unremitted profit/ (losses)	1,070,775	1,070,775
Minority Interest	-	-
Surplus on revaluation of assets	1,375,822	1,375,822
Total Equity	13,079,546	13,079,546
Total Liabilities and Equity	176,716,817	176,716,817

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Step : 2

	As Per Balance Sheet	Under regulatory scope of consolidation	Reference
	December 31, 2014		
	Rupees in '000		
Assets			
Cash and balances with treasury banks	9,041,269	9,041,269	
Balances with other banks	412,232	412,232	
Lending to financial institutions	16,807,304	16,807,304	
Investments	84,257,568	84,257,568	
<i>of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold</i>	63,244	63,244	a
<i>of which: significant capital investments in financial sector entities exceeding regulatory threshold</i>	221,594	221,594	b
<i>of which: Mutual Funds exceeding regulatory threshold</i>	-	-	c
<i>of which: reciprocal crossholding of capital instrument</i>	-	-	d
<i>of which: Investment in TFCs of other banks exceeding the prescribed limit</i>	191,051	191,051	e
Advances	56,706,066	56,706,066	
<i>shortfall in provisions/ excess of total EL amount over eligible provisions under IRB</i>	-	-	f
<i>general provisions reflected in Tier 2 Capital</i>	7,784	7,784	g
Fixed Assets	2,035,972	2,035,972	
Deferred Tax Assets	-	-	
<i>of which: DTAs excluding those arising from temporary differences</i>	-	-	h
<i>of which: DTAs arising from temporary differences exceeding regulatory threshold</i>	-	-	i
Other assets	7,456,406	7,456,406	
<i>of which: Goodwill</i>	1,463,624	1,463,624	j
<i>of which: Intangibles</i>	267,254	267,254	k
<i>of which: Defined-benefit pension fund net assets</i>	-	-	l
Total Assets	176,716,817	176,716,817	
Liabilities and Equity			
Bills payable	1,380,020	1,380,020	
Borrowings	50,537,973	50,537,973	
Deposits and other accounts	108,739,960	108,739,960	
Sub-ordinated loans	-	-	
<i>of which: eligible for inclusion in AT1</i>	-	-	m
<i>of which: eligible for inclusion in Tier 2</i>	-	-	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	444,781	444,781	
<i>of which: DTLs related to goodwill</i>	(410,095)	(410,095)	o
<i>of which: DTLs related to intangible assets</i>	-	-	p
<i>of which: DTLs related to defined pension fund net assets</i>	-	-	q
<i>of which: other deferred tax liabilities</i>	(34,686)	(34,686)	r
Other liabilities	2,534,537	2,534,537	
Total Liabilities	163,637,271	163,637,271	
Share capital	10,119,242	10,119,242	
<i>of which: amount eligible for CET1</i>	10,119,242	10,119,242	s
<i>of which: amount eligible for AT1</i>	-	-	t
Reserves	513,707	513,707	
<i>of which: portion eligible for inclusion in CET1 (provide breakup)</i>	513,707	513,707	u
<i>of which: portion eligible for inclusion in Tier 2</i>	-	-	v
Unappropriated profit/ (losses)	1,070,775	1,070,775	w
Minority Interest	-	-	
<i>of which: portion eligible for inclusion in CET1</i>	-	-	x
<i>of which: portion eligible for inclusion in AT1</i>	-	-	y
<i>of which: portion eligible for inclusion in Tier 2</i>	-	-	z
Surplus on revaluation of assets	1,375,822	1,375,822	
<i>of which: Revaluation reserves on Property</i>	-	-	aa
<i>of which: Unrealized Gains/Losses on AFS</i>	-	-	
<i>In case of Deficit on revaluation (deduction from CET1)</i>	-	-	ab
Total Liabilities and Equity	176,716,817	176,716,817	



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<u>Step : 3</u>	Component of regulatory capital reported by bank (Rupees in '000)	Reference
Common Equity Tier 1 Capital (CET1): Instruments and Reserves		
1 Fully Paid-up Capital/ Capital deposited with SBP	10,724,643	(s)
2 Balance in Share Premium Account	-	
3 Reserve for issue of Bonus Shares	-	
4 Discount on issue of Shares (enter negative number)	(2,105,401)	
5 General/ Statutory Reserves	513,707	(u)
6 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
7 Unappropriated/unremitted profits/(losses)	1,070,775	(w)
8 Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	(x)
	10,203,724	
CET 1 before Regulatory Adjustments		
Common Equity Tier 1 Capital: Regulatory Adjustments		
9 Goodwill (net of related deferred tax liability)	1,463,624	(j) - (o)
10 All other intangibles (net of any associated deferred tax liability)	267,254	(k) - (p)
11 Shortfall of provisions against classified assets	-	(f)
12 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	72,269	{(h) - (r)} * x%
13 Defined-benefit pension fund net assets	-	{(l) - (q)} * x%
14 Reciprocal cross holdings in CET1 capital instruments	-	(d)
15 Cash flow hedge reserve	-	
16 Investment in own shares/ CET1 instruments	-	
17 Securitization gain on sale	-	
18 Capital shortfall of regulated subsidiaries	-	
19 Deficit on account of revaluation from bank's holdings of property/ AFS	-	
20 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ab)
21 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	221,594	(a) - (ac) - (ae)
22 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	(b) - (ad) - (af)
23 Amount exceeding 15% threshold	-	(i)
24 of which: significant investments in the common stocks of financial entities	-	
25 of which: deferred tax assets arising from temporary differences	-	
26 National specific regulatory adjustments applied to CET1 capital	191,051	
27 Investment in TFCs of other banks exceeding the prescribed limit	191,051	
28 Any other deduction specified by SBP (mention details)	-	
29 Regulatory Adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	
30 Total Regulatory Adjustments applied to CET1 (sum of 9 to 25)	2,215,792	
31 Common Equity Tier 1	7,987,932	

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	Component of regulatory capital reported by bank (Rupees in '000)	Reference
Additional Tier 1 (AT 1) Capital		
32	1,500,000	
33	1,500,000	(t)
34	-	(m)
35	-	(y)
36	-	
37	AT1 before Regulatory Adjustments	1,500,000
Additional Tier 1 Capital: Regulatory Adjustments		
38	-	
39	-	
40	-	
41	-	(ac)
42	-	(ad)
43	767,648	
44	52,648	
45	820,296	
46	679,704	
47	Additional Tier 1 Capital Recognized for Capital Adequacy	679,704
48	Tier 1 Capital (CET1 + Admissible AT1)	8,667,635
Tier 2 Capital		
49	-	
50	-	(n)
51	-	(z)
52	-	
53	7,784	(g)
54	770,460	
55	-	portion of (aa)
56	770,460	
57	-	(v)
58	-	
59	T2 before Regulatory Adjustments	778,244



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	Component of regulatory capital reported by bank (Rupees in '000)	Reference
Tier 2 Capital: Regulatory Adjustments		
60	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier 2 Capital	767,648
61	Reciprocal cross holdings in Tier 2 instruments	-
62	Investment in own Tier 2 capital instrument	-
63	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where The Bank does not own more than 10% of the issued share capital (amount above 10% threshold)	63,244 (ae)
64	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	- (af)
65	Amount of Regulatory Adjustment applied to T2 Capital	830,892
66	Tier 2 Capital (T2)	778,244
67	Tier 2 Capital recognized for Capital Adequacy	-
68	Excess Additional Tier 1 Capital recognized in Tier 2 Capital	-
69	Total Tier 2 Capital admissible for Capital Adequacy	-
70	TOTAL CAPITAL (T1 + Admissible T2)	8,667,636

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

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41.6 Main Features of Regulatory Capital Instruments

	Main Features	Common Shares	Preference Shares
1	Issuer	JS Bank	JS Bank
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	JSB	JSB
3	Governing law(s) of the instrument	SECP	SECP
4	Regulatory treatment		
5	Transitional Basel III rules	Common Equity Tier-1	Additional Tier-1
6	Post-transitional Basel III rules	Common Equity Tier-1	Additional Tier-1
7	Eligible at solo/ group/ group and solo	Solo and Group	Solo and Group
8	Instrument type	Ordinary Shares	Preference Shares
9	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	8,619,242	1,500,000
10	Par value of instrument	10	10
11	Accounting classification	Shareholders Equity	Shareholders Equity
12	Original date of issuance	2006	2014
13	Perpetual or dated	NA	NA
14	Original maturity date	NA	NA
15	Issuer call subject to prior supervisory approval	No	No
16	Optional call date, contingent call dates and redemption amount	NA	NA
17	Subsequent call dates, if applicable	NA	NA
18	Coupons / dividends	NA	Dividends
19	Fixed or floating dividend/ coupon	NA	Fixed
20	Coupon rate and any related index/ benchmark	NA	NA
21	Existence of a dividend stopper	NA	NA
22	Fully discretionary, partially discretionary or mandatory	NA	NA
23	Existence of step up or other incentive to redeem	NA	NA
24	Noncumulative or cumulative	NA	Non-Cumulative
25	Convertible or non-convertible	NA	Convertible
26	If convertible, conversion trigger (s)	NA	NA
27	If convertible, fully or partially	NA	Fully
28	If convertible, conversion rate	NA	1:1.5
29	If convertible, mandatory or optional conversion	NA	Mandatory
30	If convertible, specify instrument type convertible into	NA	Ordinary Shares
31	If convertible, specify issuer of instrument it converts into	NA	NA
32	Write-down feature	NA	NA
33	If write-down, write-down trigger(s)	NA	NA
34	If write-down, full or partial	NA	NA
35	If write-down, permanent or temporary	NA	NA
36	If temporary write-down, description of write-up mechanism	NA	NA
37	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	NA	NA
38	Non-compliant transitioned features	NA	NA
39	If yes, specify non-compliant features	NA	NA



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41.7 Capital Adequacy

	Capital Requirements		Risk Weighted Assets	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Rupees in '000				
Credit Risk				
Portfolios subject to standardized approach (Simple or Comprehensive)				
On balance sheet				
Corporate	3,577,338	2,141,952	35,773,377	21,419,518
Retail	326,664	198,410	3,266,638	1,984,096
Banks and DFIs	154,000	291,064	1,539,998	2,910,641
Public sector entity	17,251	16,764	172,512	167,640
Sovereign (include GoP and SBP)	-	-	-	-
Residential mortgage finance	32,726	25,824	327,260	258,241
Past due loans	70,296	154,394	702,959	1,543,943
Fixed assets	203,597	194,750	2,035,972	1,947,495
Other assets	45,459	129,308	454,590	1,293,075
	4,427,331	3,152,466	44,273,306	31,524,649
Off balance sheet				
Non market related	810,221	257,670	8,102,211	2,576,700
Market related	16,688	10,706	166,881	107,063
	826,909	268,376	8,269,092	2,683,763
Equity Exposure Risk in The Banking Book				
Listed	83,107	155,752	831,066	1,557,521
Unlisted	72,262	14,061	722,618	140,609
	155,369	169,813	1,553,684	1,698,130
Total Credit Risk	5,409,609	3,590,655	54,096,082	35,906,542
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	413,395	41,909	4,133,946	523,868
Equity position risk etc.	225,128	80,273	2,251,278	1,003,415
Foreign exchange risk	8,810	16,280	88,098	203,502
Total Market Risk	647,333	138,462	6,473,322	1,730,785
Operational Risk				
Capital Requirement for operational risks	475,004	475,004	8,057,725	5,937,550
TOTAL	6,531,946	4,204,121	68,627,129	43,574,877
Capital Adequacy Ratio				
	December 31, 2014		December 31, 2013	
	Required	Actual	Required	Actual
CET1 to total RWA	5.50%	11.64%	5.00%	12.00%
Tier 1 Capital to total RWA	7.00%	12.63%	6.50%	12.00%
Total Capital to total RWA	10.00%	12.63%	10.00%	12.00%

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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 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.

Risk management framework 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) as well as Central Credit Committee (CCC). IRMC oversees the overall risk management at the Bank and provide guidance in setting strategic targets as well as concentration limits and monitor progress related to earnings growth, keeping in view the capital constraints and also adhere to the concentration limits. The IRMC monitors 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. Whereas, Central Credit Committee (CCC) is entrusted with the responsibility of monitoring lending risk profile of the Bank. CCC meets regularly to actively supervise credit risk across its lending portfolio.
- 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 Risk Management Committee (BRMC);
- Integrated Risk Management Committee (IRMC) which comprises of the president / chief executive officer , group head operations, group head credit and risk management, business heads, and other functional heads.
- Asset - Liability Committee which comprises of the president / chief executive officer , chief operating officer, treasurer, group head risk management, other business heads.
- Central credit committee comprising of the president / CEO, group head credit and 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 credit and risk management to supervise the following divisions:

- a) Credit Risk Management (CRM) covering corporate / commercial and retail banking risks
- b) Operational risk management
- c) Market risk management
- d) Treasury middle office
- e) Basel II / III Implementation Unit



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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.

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 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) and 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.

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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.

42.1.1.1 Segment by class of business

	2014					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent %	Rupees in '000	Percent %	Rupees in '000	Percent %
Mining and quarrying	56,354	0.10	140,969	0.13	521,109	1.36
Textile and Glass	8,466,792	14.41	561,645	0.52	715,002	1.86
Chemical and pharmaceuticals	3,501,811	5.96	633,295	0.58	407,050	1.06
Fertilizer and pesticides	1,419,306	2.42	546,982	0.50	1,249,796	3.25
Automobile and transportation equipment	1,191,384	2.03	902,617	0.83	721,655	1.88
Electronics and electrical appliances	356,357	0.61	952,084	0.88	21,444	0.06
Construction and real estate	930,940	1.58	2,014,274	1.85	567,357	1.48
Power and water, Oil and Gas	948,085	1.61	2,044,984	1.88	1,335,802	3.48
Metal and steel	1,242,633	2.11	-	-	174,125	0.45
Paper / board / furniture	234,193	0.40	88,577	0.08	225,218	0.59
Food / confectionery / beverages	19,403,063	33.02	1,207,253	1.11	487,318	1.27
Trust and non-profit organisations	98,207	0.17	22,979,369	21.13	43,674	0.11
Sole proprietorships	1,615,832	2.75	31,908,876	29.34	2,973,741	7.74
Transport, storage and communication	1,353,475	2.30	2,264,672	2.08	247,504	0.64
Financial		-	7,682,331	7.06	22,172,358	57.65
Insurance and Security	11,427	0.02	2,675,546	2.46	36,569	0.10
Engineering, IT and other services	5,542,113	9.43	5,597,403	5.15	341,217	0.89
Sugar	2,933,129	4.99	119,872	0.11	278,767	0.73
Individuals	4,142,409	7.05	23,083,203	21.23	132,569	0.34
Others	5,317,375	9.04	3,336,008	3.08	5,787,712	15.06
	58,764,885	100	108,739,960	100	38,439,987	100



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	2013					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent %	Rupees in '000	Percent %	Rupees in '000	Percent %
Mining and quarrying	56,922	0.16	126,619	0.16	7,621	0.03
Textile and Glass	7,002,166	19.91	536,390	0.66	2,090,968	8.96
Chemical and pharmaceuticals	840,200	2.39	642,051	0.79	1,077,791	4.62
Fertilizer and pesticides	1,449,468	4.12	301,686	0.37	451,012	1.93
Automobile and transportation equipment	763,255	2.17	760,437	0.94	91,792	0.39
Electronics and electrical appliances	247,275	0.70	60,460	0.07	154,624	0.66
Construction and real estate	117,018	0.33	2,728,633	3.37	769,683	3.30
Power and water, Oil and Gas	200,005	0.57	2,499,109	3.09	1,231,764	5.28
Metal and steel	681,492	1.94	-	-	319,364	1.37
Paper / board / furniture	471,934	1.34	78,663	0.10	178,401	0.76
Food / confectionery / beverages	10,487,851	29.83	158,562	0.20	416,321	1.78
Trust and non-profit organisations	-	-	14,149,525	17.49	12,093	0.05
Sole proprietorships	356,195	1.01	30,367,305	37.53	12,609	0.05
Transport, storage and communication	986,718	2.81	2,653,851	3.28	483,099	2.07
Financial	1,066,039	3.03	6,703,477	8.28	15,009,280	64.35
Insurance and Security	-	-	2,466,575	3.05	13,140	0.06
Engineering, IT and other services	2,006,264	5.71	1,588,687	1.96	197,778	0.85
Sugar	1,421,329	4.04	45,007	0.06	15,210	0.07
Individuals	3,261,249	9.27	11,539,094	14.26	84,035	0.36
Others	3,748,312	10.67	3,509,994	4.34	707,187	3.03
	35,163,692	100	80,916,125	100	23,323,772	100

42.1.1.2 Segment by sector

	2014					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent %	Rupees in '000	Percent %	Rupees in '000	Percent %
Public / Government	13,998,818	23.82	19,512,772	17.94	-	-
Private	44,766,067	76.18	89,227,188	82.06	38,439,987	100
	58,764,885	100	108,739,960	100	38,439,987	100

	2013					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent %	Rupees in '000	Percent %	Rupees in '000	Percent %
Public / Government	7,000,000	19.91	4,831,673	5.97	-	-
Private	28,163,692	80.09	76,084,452	94.03	23,323,772	100.00
	35,163,692	100	80,916,125	100	23,323,772	100

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

	2014		2013	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
----- Rupees in '000 -----				
Textile	781,153	660,870	671,119	533,381
Automobile and transportation equipment	71,858	61,875	109,773	100,621
Food / confectionery / beverages	122,807	116,653	122,807	89,469
Engineering, IT and other services	185,575	185,575	-	-
Paper / board / furniture	-	-	22,000	9,713
Fertilizer and pesticides	1,035,420	740,469	1,034,879	262,491
Services	67,233	12,235	185,575	155,163
Individuals	253,400	67,440	257,373	10,724
Others	295,171	205,918	354,851	236,633
	<u>2,812,617</u>	<u>2,051,035</u>	<u>2,758,377</u>	<u>1,398,195</u>

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

Public / Government	-	-	-	-
Private	2,812,617	2,051,035	2,758,377	1,398,195
	<u>2,812,617</u>	<u>2,051,035</u>	<u>2,758,377</u>	<u>1,398,195</u>

42.1.1.5 Geographical segment analysis

	2014		2013	
	Total assets employed	Net assets employed	Total assets employed	Net assets employed
----- Rupees in '000 -----				
Pakistan	<u>176,716,817</u>	<u>13,079,546</u>	<u>112,769,972</u>	<u>8,933,893</u>

	2014		2013	
	Profit before taxation	Contingencies and commitments	Profit before taxation	Contingencies and commitments
----- Rupees in '000 -----				
Pakistan	<u>1,608,225</u>	<u>38,439,987</u>	<u>501,371</u>	<u>23,323,772</u>

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	-	-	-	-	-

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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Mapping to SBP Rating Grades

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

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	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 and comparative figures subject to the standardised approach

Exposures	Rating category No.	Rating risk weighted	2014		Risk weighted assets	
			Amount outstanding	Deduction * CRM		Net amount
			----- Rupees in '000 -----			
Cash and Cash Equivalents		0%	2,364,338	-	2,364,338	-
Corporate	0	0%	-	14,764,431	14,764,431	-
	1	20%	3,305,215	310,991	3,616,206	723,241
	2	50%	944,003	(9)	943,994	471,997
	3,4	100%	833,629	-	833,629	833,629
	5,6	150%	-	-	-	-
	Unrated	100%	44,406,432	(14,870,603)	29,535,829	29,535,829
	Unrated-2	115%	3,864,532	(204,810)	3,659,722	4,208,681
			53,353,811	-	53,353,811	35,773,377
Retail		0%	-	675,421	675,421	-
		20%	-	26,569	26,569	5,314
		50%	-	-	-	-
		75%	5,050,422	(701,990)	4,348,432	3,261,324
			5,050,422	-	5,050,422	3,266,638
Banks						
- Over 3 Months		0%	-	2,601,417	2,601,417	-
	1	20%	692,821	-	692,821	138,564
	2,3	50%	4,507,722	(2,601,417)	1,906,305	953,152
	4,5	100%	56,842	-	56,842	56,842
	6	150%	-	-	-	-
	Unrated	50%	124,651	-	124,651	62,326
			5,382,036	-	5,382,036	1,210,884
- Maturity Upto and under 3 Months in FCY		0%	-	-	-	-
	1,2,3	20%	447,211	-	447,211	89,442
	4,5	50%	12,029	-	12,029	6,015
	6	150%	54,276	-	54,276	81,414
	Unrated	20%	51,805	-	51,805	10,361
			565,321	-	565,321	187,232
- Maturity Upto and under 3 Months in PKR		0%	-	10,757,973	10,757,973	-
		20%	11,467,386	(10,757,973)	709,412	141,882
			11,467,386	-	11,467,385	141,882
Residential Mortgage Finance		35%	935,028	-	935,028	327,260
Public Sector Entity						
		0%				
	1	20%	862,559	-	862,559	172,512
	2,3	50%	-	-	-	-
	4,5	100%	-	-	-	-
	6	150%	-	-	-	-
	Unrated	50%	-	-	-	-
			862,559	-	862,559	172,512
Sovereigns (SBP / GoP)		0%	63,850,340	-	63,850,340	-
Equity Investments - Listed		100%	425,491	-	425,491	425,491
- Unlisted		150%	481,746	-	481,746	722,618
Significant Investment and DTA		250%	162,230	-	162,230	405,575
			1,069,467	-	1,069,467	1,553,684
Past Due Loans (Not Secured by Residential Mortgages)						
	S.P less than 20%	150%	194,552	-	194,552	291,829
	S.P between 20% to 50%	100%	255,229	-	255,229	255,229
	S.P more than 50%	50%	311,801	-	311,801	155,901
			761,582	-	761,582	702,959
Investment in fixed assets		100%	2,035,972	-	2,035,972	2,035,972
Other assets		100%	454,590	-	454,590	454,590
Total			148,152,852	-	148,152,851	45,826,990

* Credit Risk Mitigation (CRM)

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Credit exposures subject to Standardised approach

Exposures	Rating category No.	Rating risk weighted	2013		Risk weighted asset	
			Amount outstanding	Deduction * CRM		
----- Rupees in '000 -----						
Cash and Cash Equivalents		0%	1,899,496	-	1,899,496	-
Corporate	0	0%	-	7,059,298	7,059,298	-
	1	20%	1,316,825	10,950	1,327,775	265,555
	2	50%	487,243	-	487,243	243,621
	3,4	100%	962,794	-	962,794	962,794
	5,6	150%	944,390	-	944,390	1,416,585
	Unrated	100%	25,601,211	(7,070,248)	18,530,963	18,530,963
			29,312,463	-	29,312,463	21,419,518
Retail		0%	-	789,291	789,291	-
		20%	-	8,998	8,998	1,800
		50%	-	-	-	-
		75%	3,441,351	(798,289)	2,643,062	1,982,296
			3,441,351	-	3,441,351	1,984,096
Banks						
- Maturity over 3 Months		0%	-	2,279,667	2,279,667	-
	1	20%	690,039	-	690,039	138,008
	2,3	50%	4,680,661	(2,279,667)	2,400,994	1,200,497
	4,5	100%	199,800	-	199,800	199,800
	6	150%	-	-	-	-
	Unrated	50%	195,146	-	195,146	97,573
			5,765,646	-	5,765,646	1,635,878
- Maturity Upto and under 3 Months in FCY		0%	-	-	-	-
	1,2,3	20%	684,653	-	684,653	136,931
	4,5	50%	-	-	-	-
	6	150%	54,478	-	54,478	81,717
	Unrated	20%	157,229	-	157,229	31,446
			896,360	-	896,360	250,094
- Maturity upto and under 3 months in PKR		0%	-	10,390,823	10,390,823	-
		20%	15,514,168	(10,390,823)	5,123,345	1,024,669
			15,514,168	-	15,514,168	1,024,669
Residential Mortgage Finance		35%	737,832	-	737,832	258,241
Public Sector Entity						
		0%				
	1	20%	838,201	-	838,201	167,640
	2,3	50%	-	-	-	-
	4,5	100%	-	-	-	-
	6	150%	-	-	-	-
	Unrated	50%	-	-	-	-
			838,201	-	838,201	167,640
Sovereigns (SBP / GoP)		0%	18,502,067	-	18,502,067	-
Equity Investments - Listed		100%	1,557,521	-	1,557,521	1,557,521
- Unlisted		150%	93,740	-	93,740	140,609
			1,651,261	-	1,651,261	1,698,130
Past Due Loans (Not Secured by Residential Mortgages)	S.P less than 20%	150%	629,934	-	629,934	944,901
	S.P between 20% to 50%	100%	467,878	-	467,878	467,878
	S.P more than 20%	50%	262,329	-	262,329	131,164
			1,360,141	-	1,360,141	1,543,943
Investment in fixed assets		100%	1,947,495	-	1,947,495	1,947,495
Other assets		100%	1,293,075	-	1,293,075	1,293,075
Total			83,159,556	-	83,159,556	33,222,779

* Credit Risk Mitigation (CRM)

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42.1.3 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.

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 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.

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 Bank, market risk comprises of interest rate risk, foreign exchange risk and equity position risk, which The Bank is exposed to in its trading book.

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.

42.3.2 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.



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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.

2014				
Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure	
----- Rupees in '000 -----				
Pakistan Rupee	170,204,456	158,150,768	1,090,344	13,144,032
United States Dollar	6,070,367	4,486,025	(1,665,751)	(81,409)
Great Britain Pound	275,974	667,659	384,917	(6,768)
Euro	146,299	332,350	194,030	7,979
Other currencies	19,721	469	(3,540)	15,712
	<u>6,512,361</u>	<u>5,486,503</u>	<u>(1,090,344)</u>	<u>(64,486)</u>
	<u>176,716,817</u>	<u>163,637,271</u>	<u>-</u>	<u>13,079,546</u>

2013				
Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure	
----- Rupees in '000 -----				
Pakistan Rupee	107,215,284	97,634,340	(503,141)	9,077,803
United States Dollar	5,009,786	4,772,299	(438,414)	(200,927)
Great Britain Pound	170,073	746,921	592,668	15,820
Euro	320,378	680,323	359,032	(913)
Other currencies	54,451	2,196	(10,145)	42,110
	<u>5,554,688</u>	<u>6,201,739</u>	<u>503,141</u>	<u>(143,910)</u>
	<u>112,769,972</u>	<u>103,836,079</u>	<u>-</u>	<u>8,933,893</u>

42.3.3 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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42. 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 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.

Assets	Effective yield interest rate - %	2014										Non-interest bearing financial instrument	
		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 -----													
On-balance sheet financial instruments													
Cash and balances with treasury banks	-	9,041,269	807,860	-	-	-	-	-	-	-	-	-	8,233,409
Balances with other banks	-	412,232	46,612	-	-	-	-	-	-	-	-	-	365,620
Lendings to financial institutions	0.03 - 14.68	16,807,304	6,492,037	5,767,833	2,347,434	1,700,000	500,000	-	-	-	-	-	-
Investments	3.56 - 13.15	82,338,447	3,824,565	21,221,385	288,024	88,676	19,792,651	25,727,820	6,506,895	3,695,373	-	-	1,193,058
Advances	2.5 - 23.00	56,706,066	36,294,751	8,066,916	8,204,895	544,850	579,520	281,491	1,038,964	55,587	877,357	-	761,735
Other assets	-	5,304,982	-	-	-	-	-	-	-	-	-	-	5,304,982
		170,610,300	47,465,825	35,056,134	10,840,353	2,333,526	20,872,171	26,009,311	7,545,859	3,750,960	877,357	-	15,856,804
Liabilities													
Bills payable	-	1,380,020	-	-	-	-	-	-	-	-	-	-	1,380,020
Borrowings	6.50 - 10.30	50,537,973	41,942,046	6,438,467	2,157,460	-	-	-	-	-	-	-	-
Deposits and other accounts	0.5 - 11.5	108,739,960	44,248,723	9,239,130	19,918,303	7,197,358	76,919	5,620	32,625	-	-	-	28,019,282
Other liabilities	-	2,352,741	-	-	-	-	-	-	-	-	-	-	2,352,741
		163,010,694	86,190,769	15,677,597	22,075,763	7,197,358	76,919	5,620	32,625	-	-	-	31,752,043
On-balance sheet financial instruments		7,599,606	(38,724,944)	19,378,537	(11,235,410)	(4,863,832)	20,793,252	26,003,691	7,513,234	3,750,960	877,357	-	(15,893,239)
Commitments in respect of forward purchase contracts and Commitment to extend credits		10,159,931	3,525,687	3,877,673	1,420,036	542,110	542,250	252,175	-	-	-	-	-
Commitments in respect of forward sale contracts		(13,812,627)	(10,124,619)	(2,274,933)	(618,650)	-	(542,250)	(252,175)	-	-	-	-	-
Off-balance sheet gap		(3,652,696)	(6,598,932)	(1,602,740)	801,386	542,110	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap		(45,323,876)	20,981,277	(10,434,024)	(4,321,722)	20,793,252	26,003,691	7,513,234	3,750,960	877,357	-	-	(15,893,239)
Cumulative yield / interest risk sensitivity gap		(45,323,876)	(24,342,599)	(34,776,623)	(39,096,345)	(18,305,093)	(18,305,093)	7,698,598	15,211,832	18,962,792	19,840,149	-	-

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Effective yield interest rate - %	2013										Non-interest bearing financial instrument	
	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 -----											
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	7,773,892	993,134	-	-	-	-	-	-	-	-	-	6,780,758
Balances with other banks	514,982	67,960	-	-	-	-	-	-	-	-	-	447,022
Lendings to financial institutions	21,585,799	20,952,466	-	633,333	-	-	-	-	-	-	-	-
Investments	40,760,195	12,698,480	13,708,144	446,980	25,172	2,658,241	2,984,299	3,761,250	2,397,914	-	-	2,079,715
Advances	33,762,507	23,809,672	4,623,674	2,441,098	461,411	85,600	74,035	175,649	44,173	-	-	1,357,192
Other assets	1,672,381	-	-	-	-	-	-	-	-	-	-	1,672,381
	106,069,756	58,521,712	18,331,818	3,521,411	486,583	2,743,841	3,058,334	3,936,899	2,442,087	690,003	-	12,337,068
Liabilities												
Bills payable	1,414,793	-	-	-	-	-	-	-	-	-	-	1,414,793
Borrowings	20,150,846	18,334,746	837,500	978,600	-	-	-	-	-	-	-	-
Deposits and other accounts	80,916,125	49,802,061	7,134,679	3,429,829	3,678,858	17,848	119,219	5,600	-	-	-	22,728,031
Other liabilities	1,319,165	-	-	-	-	-	-	-	-	-	-	1,319,165
	103,800,929	62,136,807	7,972,179	4,408,429	3,678,858	17,848	119,219	5,600	-	-	-	25,461,989
	2,268,827	(3,615,095)	10,359,639	(887,018)	(3,192,275)	2,725,993	2,939,115	3,931,299	2,442,087	690,003	-	(13,124,921)
On-balance sheet financial instruments												
Commitments in respect of forward purchase contracts and Commitment to extend credits	8,206,275	4,958,405	2,294,725	410,895	-	-	542,250	-	-	-	-	-
Commitments in respect of forward sale contracts	(7,027,434)	(3,427,201)	(2,346,901)	(711,082)	-	-	(542,250)	-	-	-	-	-
	1,178,841	1,531,204	(52,176)	300,187	-	-	-	-	-	-	-	-
	(2,083,891)	8,223,572	7,036,367	3,844,092	6,570,085	9,509,200	13,440,499	15,882,586	16,572,589	690,003	-	(13,124,921)
	176,716,817	112,769,972	176,716,817	112,769,972	176,716,817	112,769,972	176,716,817	112,769,972	176,716,817	112,769,972	112,769,972	112,769,972
Off-balance sheet gap												
Total yield / interest risk sensitivity gap	(2,083,891)	8,223,572	7,036,367	3,844,092	6,570,085	9,509,200	13,440,499	15,882,586	16,572,589	690,003	-	(13,124,921)
Cumulative yield / interest risk sensitivity gap												
	(2,083,891)	8,223,572	7,036,367	3,844,092	6,570,085	9,509,200	13,440,499	15,882,586	16,572,589	690,003	-	(13,124,921)
Reconciliation to total assets												
Balance as per balance sheet	1,919,121	3,766,850	420,546	6,106,517	170,610,300	176,716,817	112,769,972	176,716,817	112,769,972	176,716,817	112,769,972	176,716,817
Less: Non financial assets												
Investments - net	1,919,121	3,627,512	420,546	6,106,517	170,610,300	176,716,817	112,769,972	176,716,817	112,769,972	176,716,817	112,769,972	176,716,817
Operating fixed assets	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-
	1,919,121	3,627,512	420,546	6,106,517	170,610,300	176,716,817	112,769,972	176,716,817	112,769,972	176,716,817	112,769,972	176,716,817
Reconciliation to total liabilities												
Balance as per balance sheet	163,637,271	163,637,271	163,637,271	163,637,271	163,637,271	163,637,271	163,637,271	163,637,271	163,637,271	163,637,271	163,637,271	163,637,271
Less: Non financial liabilities												
Other liabilities	181,796	444,781	626,577	181,796	444,781	626,577	181,796	444,781	626,577	181,796	444,781	626,577
Deferred tax liabilities - net	-	-	-	-	-	-	-	-	-	-	-	-
	181,796	444,781	626,577	181,796	444,781	626,577	181,796	444,781	626,577	181,796	444,781	626,577
	163,010,694	163,010,694	163,010,694	163,010,694	163,010,694	163,010,694	163,010,694	163,010,694	163,010,694	163,010,694	163,010,694	163,010,694

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42.4 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 and 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 and 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

	2014								
	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Assets									
Cash and balances with treasury banks	9,041,269	-	-	-	-	-	-	-	-
Balances with other banks	412,232	-	-	-	-	-	-	-	-
Lendings to financial institutions	16,807,304	5,718,993	1,151,792	2,437,585	753,910	205,353	92,980	-	-
Investments	84,257,568	20,599,841	83,986	340,765	20,115,088	25,903,899	7,074,109	3,876,852	1,919,121
Advances	56,706,066	4,343,907	6,074,143	3,478,803	1,472,957	1,238,894	2,070,486	258,266	895,462
Operating fixed assets	3,766,850	33,907	100,471	197,861	363,131	292,641	360,917	299,422	1,968,044
Deferred tax assets	-	-	-	-	-	-	-	-	-
Other assets	5,725,528	62,699	66,584	223,823	19,127	-	-	-	-
	176,716,817	33,364,010	7,476,976	6,678,837	22,724,213	27,640,787	9,598,492	4,434,540	4,782,627
Liabilities									
Bills payable	1,380,020	-	-	-	-	-	-	-	-
Borrowings	50,537,973	6,438,467	2,157,460	7,197,358	78,919	5,620	32,625	-	-
Deposits and other accounts	108,739,960	9,239,130	19,918,303	7,197,358	78,919	5,620	-	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	444,781	-	-	-	-	444,781	-	-	-
Other liabilities	2,534,537	21,349	-	-	-	-	314,768	-	-
	163,637,271	117,665,064	22,075,763	7,197,358	78,919	450,401	347,393	-	-
Net assets	13,079,546	17,665,064	(14,598,787)	(518,521)	22,645,294	27,190,386	9,251,099	4,434,540	4,782,627
Share capital	10,724,643								
Discount on issue of shares	(2,105,401)								
Preference shares	1,500,000								
Statutory reserves	513,707								
Unappropriated profit	1,070,775								
Surplus on revaluation of assets - net of tax	1,375,822								
	13,079,546								



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2013

	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Assets									
Cash and balances with treasury banks	7,773,892	-	-	-	-	-	-	-	-
Balances with other banks	514,982	-	-	-	-	-	-	-	-
Lending to financial institutions	18,020,284	50,706	284,422	202,292	2,855,076	105,811	67,208	-	-
Investments	42,679,316	13,020,402	147,509	221,478	3,067,336	3,293,394	3,988,700	2,732,365	1,919,121
Advances	33,762,507	24,217,323	2,366,462	511,043	856,581	742,540	421,160	62,585	690,003
Operating fixed assets	3,627,512	332,229	80,723	159,201	307,698	269,409	350,930	241,329	1,858,795
Deferred tax assets	883,605	-	-	-	-	-	883,605	-	-
Other assets	1,942,359	47,489	58,966	70,613	17,131	1,939	-	-	-
Total	112,769,972	17,345,636	2,938,082	1,164,627	7,103,822	4,413,093	5,711,603	3,036,279	4,467,919
Liabilities									
Bills payable	1,414,793	-	-	-	-	-	-	-	-
Borrowings	20,150,846	837,500	978,600	-	-	-	-	-	-
Deposits and other accounts	80,916,125	7,134,679	3,429,829	3,678,858	17,848	119,219	5,600	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-
Other liabilities	1,354,315	1,289	-	-	-	-	115,050	-	-
Net assets	103,836,079	7,973,468	4,408,429	3,678,858	17,848	119,219	120,650	-	-
Share capital	10,724,643	-	-	-	-	-	-	-	-
Discount on issue of shares	(2,105,401)	-	-	-	-	-	-	-	-
Statutory reserves	301,699	-	-	-	-	-	-	-	-
Unappropriated profit	218,098	-	-	-	-	-	-	-	-
Deficit on revaluation of assets - net of tax	(205,146)	-	-	-	-	-	-	-	-
Total	8,933,893	9,372,168	(1,470,347)	(2,514,231)	7,085,974	4,293,874	5,590,953	3,036,279	4,467,919

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Maturity of assets and liabilities - Based on working prepared by the Asset and Liability Committee (ALCO) of the Bank 2014

Assets	Rupees in '000									
	Total	Upto 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
Cash and balances with treasury banks	9,041,269	-	-	-	-	-	-	-	-	-
Balances with other banks	412,232	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	16,807,304	6,379,813	6,026,389	1,548,846	1,800,013	753,910	205,353	-	-	-
Investments	84,257,568	4,343,907	20,599,841	83,986	340,765	20,115,088	25,903,899	92,980	3,876,852	1,919,121
Advances	56,706,066	9,361,849	14,531,545	14,965,270	11,969,485	1,472,957	1,180,746	2,070,486	258,266	895,462
Operating fixed assets	3,766,850	33,907	150,456	100,471	197,861	363,131	292,641	360,917	299,422	1,968,044
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	5,725,528	5,353,295	62,699	66,584	223,823	19,127	-	-	-	-
	176,716,817	34,926,272	41,370,930	16,765,157	14,531,947	22,724,213	27,582,639	9,598,492	4,434,540	4,782,627
Liabilities										
Bills payable	1,380,020	1,380,020	-	-	-	-	-	-	-	-
Borrowings	50,537,973	41,942,046	6,438,467	2,157,460	9,507,812	3,507,564	6,987,567	-	-	-
Deposits and other accounts	108,739,960	16,859,087	12,015,864	22,980,500	-	-	-	5,619,952	31,261,614	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	444,781	-	-	-	-	-	444,781	-	-	-
Other liabilities	2,534,537	2,198,419	21,349	-	-	-	-	314,769	-	-
	163,637,271	62,379,572	18,475,680	25,137,960	9,507,812	3,507,564	7,432,348	5,994,721	31,261,614	-
Net assets	13,079,546	(27,453,300)	22,895,250	(8,372,803)	5,024,135	19,216,649	20,150,291	3,663,771	(26,827,074)	4,782,627
Share capital	10,724,643	-	-	-	-	-	-	-	-	-
Discount on issue of shares	(2,105,401)	-	-	-	-	-	-	-	-	-
Preference shares	1,500,000	-	-	-	-	-	-	-	-	-
Statutory reserves	513,707	-	-	-	-	-	-	-	-	-
Unappropriated profit	1,070,775	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net of tax	1,375,822	-	-	-	-	-	-	-	-	-
	13,079,546	-	-	-	-	-	-	-	-	-

To identify the behavioral maturities of non-contractual assets and liabilities, the Bank has used the following methodology:

- For determining the core portion of non contractual liabilities (non- volatile portion), the bank has used the average method whereby average balance maintained over past five year has been classified as core and has been placed in 'over 5 to 10 years' maturity bucket. Non contractual assets & remaining volatile portion of non contractual liabilities have been stratified in relevant maturity bucket using bucket wise percentages determined by using average volatility in respective period/bucket.

	Upto 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
Weighted average	5%	5%	5%	4%	6%	12%	10%	53%



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	Rupees in '000								
	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
Assets									
Cash and balances with treasury banks	7,773,892	-	-	-	-	-	-	-	-
Balances with other banks	514,982	-	-	-	-	-	-	-	-
Lending to financial institutions	18,020,284	50,706	284,422	202,292	2,855,076	105,811	67,208	-	-
Investments	42,679,316	14,289,011	147,509	221,478	3,067,336	3,293,394	3,988,700	2,732,365	1,919,121
Advances	33,762,507	9,480,952	8,261,011	511,043	856,581	742,540	421,160	62,585	690,003
Operating fixed assets	3,627,512	27,198	80,723	159,201	307,698	269,409	350,930	241,329	1,858,795
Deferred tax assets	883,605	-	-	-	-	-	883,605	-	-
Other assets	1,942,359	1,746,221	47,489	70,613	17,131	1,939	-	-	-
	112,769,972	51,852,540	8,832,631	1,164,627	7,103,822	4,413,093	5,711,603	3,036,279	4,467,919
Liabilities									
Bills payable	1,414,793	-	-	-	-	-	-	-	-
Borrowings	20,150,846	837,500	978,600	-	-	-	-	-	-
Deposits and other accounts	80,916,125	21,076,772	11,025,929	9,185,482	2,290,651	119,219	22,338,702	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-
Other liabilities	1,354,315	1,237,976	1,289	-	-	-	115,050	-	-
	103,836,079	42,064,287	15,718,159	9,185,482	2,290,651	119,219	22,453,752	-	-
Net assets	8,933,893	9,788,253	(3,171,898)	(8,020,855)	4,813,171	4,293,874	(16,742,149)	3,036,279	4,467,919
Share capital	10,724,643								
Discount on issue of shares	(2,105,401)								
Statutory reserves	301,699								
Unappropriated profit	218,098								
Deficit on revaluation of assets - net of tax	(205,146)								
	8,933,893								

Weighted average

	Upto 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
	12%	15%	15%	11%	4%	43%

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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 new industry standards. Accordingly the Bank has set up a separate Operational Risk Management (ORM) Unit. 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.

In order to maintain a robust Operational Risk Monitoring mechanism compliant with regulatory requirements, an Operational Risk Management Committee has been constituted to effectively address Operational Risk issues.

The Bank has implemented a comprehensive "Operational Risk Management Framework" which has also been approved by the Board of Directors. The purpose of Bank-wide Operational Risk Management Framework is aimed at laying out clearly defined roles and responsibilities of individuals/units across different functions of the Bank that are 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 or a support function. This Framework has been devised to explain the various building blocks of the Operational Risk Management processes, and their inter-relationships. The framework also captures both qualitative and quantitative guidelines for managing and quantifying operational risks across the bank.

The ORM Unit conducts Operational risk profiling for all major operational areas of the Bank and assists various functions of the bank in developing Key Risk Indicators (KRIs) which are monitored against predefined thresholds. Findings from KRIs are used as predictive indicators of potential operational risks.

Operational Risk 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.

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. The resilience of BCP is tested and rehearsed on an annual basis by the Bank.

43. RECLASSIFICATION

Corresponding figures have been re-arranged and re-classified to reflect more appropriate presentation of events and transactions for the purpose of comparison, which are as follows:

Description	Rupees in (000)	Reclassified	
		From	To
Provision for Workers' Welfare Fund	10,027	Other provisions / write offs	Other charges
Unrealised gain on revaluation of derivative instruments	10,254	Income from dealing in foreign currencies	Other (loss) / income - net

44. GENERAL

44.1 These accounts have been prepared in accordance with the revised forms of annual financial statements of the banks issued by the State Bank of Pakistan through its BSD Circular No. 04 dated February 17, 2006.

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

45. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors have proposed cash preference dividend @ 12% (2013 : Nil) amounting to Rs. 155.836 million (2013: Nil) in their meeting held on February 24, 2015. This appropriation will be approved in the forthcoming Annual General Meeting.

46. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial statements were authorized for issue by the Board of Directors of the Bank in their meeting held on February 24, 2015.

Chairman

President and Chief Executive Officer

Director

Director



Annexure I

As at December 31, 2014

As referred to in notes 12.2.2 to the unconsolidated financial statements

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	Gain	Mode of disposal	Buyers' particulars and relationship with Bank (if any)	
	----- Rupees in '000 -----							
Vehicles								
Honda Civic	1,893	1,010	883	1,350	467	Negotiation	Name: Wasim Mirza CNIC: 44204-4438942-7 Address: House No 292 Shahdadpur	
Toyota Corolla	1,414	1,273	141	1,046	905	Negotiation	Name: Saqib Arooj Hasmi CNIC: 35202-5444033-9 Address: House No.4 Zam Zama street Choubregy Lahore	
Mercedes Benz	6,325	6,325	-	2,955	2,955	Negotiation	Name: Suhail Najam Kidwai CNIC: 42301-4571088-7 Address: House no.104/1 3rd Commercial Street DHA Phase VI	
Toyota Corolla	1,319	1,319	-	891	891	Negotiation	Name: Islam Khan CNIC: 42101-2000001-7 Address: House No E-92 Block 9 North Nazimabad	
Toyota Corolla	1,529	790	739	1,529	790	Negotiation	Name: EFU General Insurance Limited - related party, Address: 1st Floor Kashif Centre Main Shahra-e-faisal Karachi	
Honda Civic	2,326	426	1,900	2,000	100	Negotiation	Name: EFU General Insurance Limited - related party, Address: 1st Floor Kashif Centre Main Shahra-e-faisal Karachi	
Honda Civic	1,859	1,859	-	1,188	1,188	Negotiation	Name: Humair Uddin CNIC: 42101-4992858-7 Address: House No D-64 Block 4 F B Area Karachi	
Suzuki Cultus	856	499	357	761	404	Negotiation	Name: Asim Mumtaz CNIC: 35202-6560898-7 Address: House No 393 Block B II Johar Town Lahore	
Toyota Corolla	1,319	1,319	-	845	845	Negotiation	Name: Khurram Mehmood CNIC: 422017-920676-1 Address: House No B-125 Zainab Arcade Khalid Bin Waleed Road Karachi	
Toyota Corolla	1,384	1,292	92	942	850	Negotiation	Name: Sultan Hassan CNIC: 42101-1926350-5 Address: House No 908/12 F B Area Karachi	
Toyota Corolla	1,529	968	561	1,152	591	Negotiation	Name: Khurram Mehmood CNIC: 422017-920676-1 Address: House No B-125 Zainab Arcade Khalid Bin Waleed Road Karachi	
Toyota Corolla	1,529	968	561	1,242	681	Negotiation	Name: Zahid Qadri CNIC: 42101-1674749-5 Address: House No 15-A-4 R-536 Buffer Zone Karachi	
Balance c/f	23,282	18,048	5,234	15,901	10,667			

Annexure I

As at December 31, 2014

As referred to in notes 12.2.2 to the unconsolidated financial statements

	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain	Mode of disposal	Buyers' particulars and relationship with Bank (if any)	
----- Rupees in '000 -----								
Balance b/f	23,282	18,048	5,234	15,901	10,667			
Toyota Corolla	1,529	968	561	1,450	889	Negotiation	Name: EFU General Insurance Limited - related party, Address: 1st Floor Kashif Centre Main Shahra-e-faisal Karachi	
Toyota Corolla	1,389	1,389	-	1,300	1,300	Negotiation	Name: EFU General Insurance Limited - related party, Address: 1st Floor Kashif Centre Main Shahra-e-faisal Karachi	
Toyota Corolla	1,608	697	911	1,525	614	Insurance Claim	Name: EFU General Insurance Limited - related party, Address: 1st Floor Kashif Centre Main Shahra-e-faisal Karachi	
Electrical, office and computer equipment								
Generator	1,175	747	428	200	(228)	Insurance Claim	Name: EFU General Insurance Limited - related party, Address: 1st Floor Kashif Centre Main Shahra-e-faisal Karachi	
Generator	735	482	253	95	(158)	Insurance Claim	Name: EFU General Insurance Limited - related party, Address: 1st Floor Kashif Centre Main Shahra-e-faisal Karachi	
UPS	592	278	314	325	11		Name: Farrukh Engineering Address: 1st Floor Plot no.12 Block 16 Gulshan-e-Iqbal Main University Road	
Others (note 12.2.3)	16,778	13,609	3,169	6,709	3,540			
	47,088	36,218	10,870	27,505	16,635			

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.



Consolidated Financial Statements

Directors' Report on Consolidated Financial Statement

For the year ended December 31, 2014

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

Consolidated Financial Highlights

	2014	2013
	(PKR Million)	
Profit before taxation	2,588.9	1,077.8
Taxation	(690.7)	(240.0)
Profit after taxation	1,898.2	837.8
Profit attributable to non-controlling interest	(452.4)	(363.3)
Profit attributable to equity holders of the Bank	1,445.8	474.5
Earnings per share - Basic	1.35	0.44
- Diluted	1.14	0.44
Investments	85,761.5	43,855.2
Total assets	179,381.1	114,748.8
Deposits	107,429.8	80,055.3
Shareholders' equity	14,153.4	11,026.9

Pattern of Shareholding

The pattern of shareholding as at December 31, 2014 is included in the annual report

Subsidiaries Companies

JS Global Capital Limited

JS Global Capital Limited is one of the largest securities brokerage and investment banking firms in Pakistan with a 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 and is the successor to the securities business of Jahangir Siddiqui & Co. Ltd. and Bear Stearns Jahangir Siddiqui Limited. JS Bank has 51.05% ownership in the company.



JS Global has a paid up capital of PKR 500 million and shareholder equity of PKR 2,626.3 million as at December 31, 2014. 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 JS Global 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	PKR 'Million'	
	December 31,2014 (Audited)	December 31,2013 (Audited)
Profit before tax	409.8	210.3
Profit after tax	282.6	150.2
EPS (Rupees)	5.65	3.00

JS Investments Limited

JS Investments has a paid up capital of PKR 1 billion and shareholder equity of PKR 2,449.7 million as on December 31, 2014. It is listed on the Karachi Stock Exchange. JS Bank has 52.24% ownership in the company.

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 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.

Summarized results of the Company are set out below:

Particulars	PKR 'Million'	
	December 31,2014 (Audited)	December 31,2013 (Audited)
Profit before tax	660.8	624.5
Profit after tax	649.5	598.2
EPS (Rupees)	6.49	5.98

For and on behalf of the Board,

Jahangir Siddiqui
Chairman

February 24, 2015

AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of **JS Bank Limited** (the Bank) and its subsidiary companies (together, the Group) as at December 31, 2014 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. These financial statements include unaudited certified returns from the branches except for 3 branches which have been audited by us. We have also expressed separate opinions on the financial statements of the Bank and its subsidiary companies namely JS Global Capital Limited, JS Investments Limited and JS ABAMCO Commodities Limited. These financial statements are responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

M. Yousuf Adil Saleem & Co

Chartered Accounts

Engagement Partner

Nadeem Yousuf Adil

Date: February 24, 2015

Place: Karachi



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at December 31, 2014

	Note	2014 Rupees in '000	2013
ASSETS			
Cash and balances with treasury banks	8	9,041,590	7,775,070
Balances with other banks	9	433,697	542,126
Lendings to financial institutions	10	16,807,304	21,585,799
Investments - net	11	85,761,502	43,855,194
Advances - net	12	56,715,791	33,769,008
Operating fixed assets	13	3,912,851	3,750,784
Deferred tax assets - net	14	-	1,052,958
Other assets	15	6,708,376	2,417,820
		179,381,111	114,748,759
LIABILITIES			
Bills payable	16	1,380,020	1,414,793
Borrowings	17	50,537,973	20,150,846
Deposits and other accounts	18	107,429,838	80,055,276
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	14	304,257	-
Other liabilities	19	3,532,454	1,820,276
		163,184,542	103,441,191
NET ASSETS		16,196,569	11,307,568
REPRESENTED BY			
Share capital	20	10,724,643	10,724,643
Discount on issue of shares		(2,105,401)	(2,105,401)
Preference shares	21	1,500,000	-
Reserves		513,706	301,698
Unappropriated profit		1,384,998	239,766
		12,017,946	9,160,706
Non-controlling interest		2,135,442	1,866,171
		14,153,388	11,026,877
Surplus on revaluation of assets - net of tax	22	2,043,181	280,691
		16,196,569	11,307,568
CONTINGENCIES AND COMMITMENTS	23		

The annexed notes from 1 to 47 and annexure I form an integral part of these consolidated financial statements.

Chairman

President and Chief Executive
Officer

Director

Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended December 31, 2014

	Note	2014 Rupees in '000	2013
Mark-up / return / interest earned	24	11,253,707	6,969,555
Mark-up / return / interest expensed	25	7,184,674	4,512,561
Net mark-up / interest income		4,069,033	2,456,994
Provision against non-performing loans and advances - net	12.4	(657,634)	(429,932)
Reversal of provision against diminution in value of investments - net	11.3	236,985	165,498
Bad debts written off directly		-	-
		(420,649)	(264,434)
Net mark-up / interest income after provisions		3,648,384	2,192,560
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income	26	1,449,560	1,115,133
Dividend income		67,148	386,681
Income from dealing in foreign currencies		271,765	269,554
Gain on sale of securities - net	27	1,551,557	525,393
Unrealised gain on revaluation of investments classified as held-for-trading - net	11.4	352,667	159,138
Other (loss) / income	28	(115,770)	141,428
Total non mark-up / interest income		3,576,927	2,597,327
		7,225,311	4,789,887
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	29	4,531,755	3,647,837
Other provisions / write offs	30	24,074	-
Other charges	31	80,497	64,206
Total non-mark-up / interest expenses		4,636,326	3,712,043
		2,588,985	1,077,844
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		2,588,985	1,077,844
Taxation			
- Current		(248,366)	(222,780)
- Prior years		52,166	(1,450)
- Deferred	14.1	(494,518)	(15,850)
	32	(690,718)	(240,080)
PROFIT AFTER TAXATION		1,898,267	837,764
Attributable to:			
Equity holders of the Bank		1,445,843	474,496
Non-controlling interest		452,424	363,268
		1,898,267	837,764
----- Rupees -----			
Basic earnings per share	33	1.35	0.44
Diluted earnings per share	33	1.14	0.44

The annexed notes from 1 to 47 and annexure I form an integral part of these consolidated financial statements.

Chairman

President and Chief Executive
Officer

Director

Director



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended December 31, 2014

	Note	2014 Rupees in '000	2013
Profit after tax for the year		1,898,267	837,764
Other comprehensive income			
Items that will never be reclassified to profit and loss account			
Actuarial gain on defined benefit plan - net of tax	36.5	4,646	1,668
Comprehensive income transferred to equity		1,902,913	839,432
Component of comprehensive income not reflected in equity			
Items that are or may be reclassified subsequently to profit and loss account			
Net change in fair value of available-for-sale securities		2,622,686	(210,459)
Related deferred tax		(860,196)	208,104
		1,762,490	(2,355)
Total comprehensive income for the year		3,665,403	837,077
Attributable to:			
Equity holders of the Bank		3,125,413	291,216
Non-controlling interest		539,990	545,861
		3,665,403	837,077

The annexed notes from 1 to 47 and annexure I form an integral part of these consolidated financial statements.

Chairman

President and Chief Executive
Officer

Director

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended December 31, 2014

	Attributable to shareholders of the Bank							Non-controlling interest	Total
	Share capital	Discount on issue of shares	Preference shares	Statutory reserves	Unappropriated (loss) / profit	Sub-total			
	----- Rupees in '000 -----								
Balance as at January 01, 2013	10,724,643	(2,105,401)	-	231,441	(50,375)	8,800,308	1,863,194	10,663,502	
Total comprehensive income for the year ended December 31, 2013									
Profit after taxation	-	-	-	-	474,496	474,496	363,268	837,764	
Other comprehensive income	-	-	-	-	1,668	1,668	-	1,668	
	-	-	-	-	476,164	476,164	363,268	839,432	
Transaction with owners recorded directly in equity									
Pre-acquisition surplus (net) on available-for-sale investments realised during the year	-	-	-	-	(115,766)	(115,766)	(105,679)	(221,445)	
Dividend for the year ended December 31, 2012 @ Rs. 3 per ordinary share paid to non-controlling interest	-	-	-	-	-	-	(121,187)	(121,187)	
Interim dividend for year 2013 @ Rs. 3.5 per ordinary share paid to non-controlling interest	-	-	-	-	-	-	(133,425)	(133,425)	
Transfers									
Transfer to statutory reserve	-	-	-	70,257	(70,257)	-	-	-	
Balance as at December 31, 2013	10,724,643	(2,105,401)	-	301,698	239,766	9,160,706	1,866,171	11,026,877	
Total comprehensive income for the year ended December 31, 2014									
Profit after taxation	-	-	-	-	1,445,843	1,445,843	452,424	1,898,267	
Other comprehensive income	-	-	-	-	4,646	4,646	-	4,646	
	-	-	-	-	1,450,489	1,450,489	452,424	1,902,913	
Transaction with owners recorded directly in equity									
Pre-acquisition surplus (net) on available-for-sale investments realised during the year	-	-	-	-	(93,249)	(93,249)	(85,253)	(178,502)	
Interim dividend for year 2014 @ Rs. 4 per ordinary share paid to non-controlling interest	-	-	-	-	-	-	(97,900)	(97,900)	
Issuance of preference shares during the period (note 1.2 & 21)	-	-	1,500,000	-	-	1,500,000	-	1,500,000	
Transfers									
Transfer to statutory reserve	-	-	-	212,008	(212,008)	-	-	-	
Balance as at December 31, 2014	<u>10,724,643</u>	<u>(2,105,401)</u>	<u>1,500,000</u>	<u>513,706</u>	<u>1,384,998</u>	<u>12,017,946</u>	<u>2,135,442</u>	<u>14,153,388</u>	

The annexed notes from 1 to 47 and annexure I form an integral part of these consolidated financial statements.

Chairman

President and Chief Executive Officer

Director

Director



CONSOLIDATED CASH FLOW STATEMENT

for the year ended December 31, 2014

	Note	2014	2013
		Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		2,588,985	1,077,844
Less: Dividend income		(67,148)	(386,681)
		<u>2,521,837</u>	<u>691,163</u>
Adjustments:			
Depreciation	13.2	358,733	287,486
Amortisation of intangible assets	13.3	35,481	21,475
Impairment of intangible asset	13.3	-	105,000
Charge for defined benefit plan	36.6	28,497	14,566
Provision against non-performing advances - net	12.4	657,634	429,932
Unrealised gain on revaluation of investments classified as held-for-trading	11.4	(352,667)	(159,138)
Reversal of / (provision) for diminution in value of investments - net	11.3	(236,985)	(165,498)
Other provisions / write offs	30	24,074	-
Provision for Workers' Welfare Fund	31	54,100	63,662
Unrealised loss / (gain) on revaluation of derivative instruments	28	167,917	(13,958)
Gain on sale of operating fixed assets	28	(25,681)	(46,539)
		<u>711,103</u>	<u>536,988</u>
		3,232,940	1,228,151
Decrease / (increase) in operating assets			
Lendings to financial institutions		4,778,495	(17,844,841)
Held-for-trading securities		(227,881)	(20,048,505)
Advances		(23,604,417)	(14,289,555)
Other assets (excluding advance taxation)		(4,082,425)	(508,160)
		<u>(23,136,228)</u>	<u>(52,691,061)</u>
Increase in operating liabilities			
Bills payable		(34,773)	701,046
Borrowings		30,388,038	11,490,727
Deposits		27,374,562	18,120,489
Other liabilities		1,432,069	47,673
		<u>59,159,896</u>	<u>30,359,935</u>
		36,023,668	(22,331,126)
Payment to defined benefit plan	36.5	(1,289)	(22,967)
Income tax paid		(271,006)	(130,894)
		<u>(272,295)</u>	<u>(153,861)</u>
Net cash flows from / (used in) operating activities		38,984,313	(21,256,836)
CASH FLOW FROM INVESTING ACTIVITIES			
Net investment in available-for-sale securities		(38,644,592)	23,970,762
Dividend income received		67,148	386,681
Investments in operating fixed assets		(687,984)	(770,214)
Proceeds from sale of operating fixed assets		38,017	64,175
		<u>(39,227,411)</u>	<u>23,651,404</u>
Net cash flows (used in) / from investing activities		(39,227,411)	23,651,404
CASH FLOW FROM FINANCING ACTIVITIES			
Issuance of preference shares		1,500,000	-
Dividend paid to non-controlling interest		(97,900)	(254,612)
		<u>1,402,100</u>	<u>(254,612)</u>
Net cash flows from financing activities		1,402,100	(254,612)
Increase in cash and cash equivalents			
		<u>1,159,002</u>	<u>2,139,956</u>
Cash and cash equivalents at beginning of the year		8,313,053	6,173,097
		<u>9,472,055</u>	<u>8,313,053</u>
Cash and cash equivalents at end of the year	34	9,472,055	8,313,053

The annexed notes from 1 to 47 and annexure I form an integral part of these consolidated financial statements.

Chairman

President and Chief Executive Officer

Director

Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

1. STATUS AND NATURE OF BUSINESS

1.1 The "Group" consists of:

1.1.1 Holding Company

JS Bank Limited ('the Bank' / 'JSBL'), 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 238 (December 31, 2013: 211) branches / sub-branches in Pakistan. The Pakistan Credit Rating Agency Limited (PACRA) has maintained the long-term and short-term entity ratings of the Bank at "A+" (Single A Plus) and "A1" (A One), respectively.

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 vide its letter No. SC/NBFC(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 ultimate parent of the Group is Jahangir Siddiqui Co. Ltd. which holds 70.42% shares of the Bank.

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 its 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 Mercantile 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.

JS Investments Limited (JSIL)

JS Investments Limited (JSIL) ('the Company') is principally owned by the Bank, holding 52.24% of its 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 listed 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

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

- Asset management company of the following funds:

Open end funds:

- Unit Trust of Pakistan
- JS Income Fund
- JS Islamic Fund
- JS Islamic Government Securities
- JS Aggressive Asset Allocation Fund
- JS KSE-30 Index Fund
- JS Large Cap Fund
- JS Fund of Funds
- JS Growth Fund
- JS Value Fund
- JS Cash 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.

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', Khayaban-e-Jami, Clifton, Karachi. The Company has not commenced its commercial operations up to the balance sheet date.

1.2 Compliance with Minimum Capital Requirement

On February 19, 2014, the Bank issued 150 million un-listed, convertible, irredeemable, perpetual, non-cumulative, non-voting preference shares of Rs. 10 each which qualify for Tier 1 Capital under Basel III requirement. As a result of this transaction, the paid up capital of the Bank has increased by Rs. 1.5 billion and the Bank is in compliance with minimum capital requirement prescribed by the State Bank of Pakistan through its BSD Circular no. 7 dated April 15, 2009.

2. 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.
- 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3. BASIS OF PRESENTATION

In accordance with the directives of the Federal Government regarding the shifting 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 an 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.

4. 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.

5. STATEMENT OF COMPLIANCE

5.1 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.

5.2 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.

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

5.4 New accounting standards / amendments and IFRS interpretations that are effective from accounting period beginning on or after January 01, 2014

The following standards, amendments and interpretations are effective for the year ended December 31, 2014. 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

- IAS 32 Financial Instruments: Presentation (Offsetting financial assets and financial liabilities)

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.

- IAS 36 Impairment of Assets (Recoverable amount disclosures for non-financial assets)

The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. The new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair value Measurements. The amendments require retrospective application.



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for the year ended December 31, 2014

- IFRIC 21 - Levies

IFRIC 21 defines a levy as a payment to a government for which an entity receives no specific goods or services. A liability is recognised when the obligating event occurs. The obligating event is the activity that triggers payment of the levy. This is typically specified in the legislation that imposes the levy.

5.5 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 Group's operations or are not expected to have significant impact on the Group's financial statements other than certain additional disclosures.

Amendments to IAS 16 and IAS 38 Clarification of acceptable methods of depreciation and amortization

**Effective from on or after
January 01, 2016**

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendment to IAS 38 introduces a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- a) When the intangible asset is expressed as a measure of revenue. For example, an entity could acquire a concession to explore and extract gold from a gold mine. The expiry of the contract might be based on a fixed amount of total revenue to be generated from the extraction (for example, a contract may allow the extraction of gold mine until the total cumulative revenue from the sale of goods reaches CU 2 billion) and not be based on time or on the amount of gold extracted. Provided that the contract specifies a fixed total amount of revenue to be generated on which amortization is to be determined, the revenue that is to be generated might be an appropriate basis for amortizing the intangible asset; or
- b) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible assets are highly correlated.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer plants

**Effective from on or after
January 01, 2016**

The amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. In terms of the amendments, bearer plants can be measured using either the cost model or the revaluation model set out in IAS 16.

On the initial application of the amendments, entities are permitted to use the fair value of the items of bearer plants as their deemed cost as at the beginning of the earliest period presented. Any difference between the previous carrying amount and fair value should be recognized in opening retained earnings at the beginning of the earliest period presented.

The produce growing on bearer plants continues to be accounted for in accordance with IAS 41.

Amendments to IAS 19 Employee Benefits: Employee contributions

**Effective from on or after
July 01, 2014**

The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties that are linked to services to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that independent of the number of years of service, the entity may either recognize the contribution as a reduction of the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service either using the plan's contribution formula or on a straight line basis; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service. Retrospective application is required.

IAS 27 (Revised 2011) – Separate Financial Statements (will concurrently apply with IFRS 10)

**Effective from on or after
January 01, 2015**

The revised standard sets out the requirements regarding separate financial statements only. Most of the requirements in the revised Standard are carried forward unchanged from the previous standard. The IASB has issued recently the amendment to IAS 27 wherein it has allowed to follow the equity method in the separate financial statements also. These amendments will be effective from January 01, 2016 with earlier application allowed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures

Effective from on or after
January 01, 2015

Similar to the previous standard, the new standard deals with how to apply the equity method of accounting. However, the scope of the revised standard has been changed so that it covers investments in joint ventures as well because IFRS 11 requires investments in joint ventures to be accounted for using the equity method of accounting.

IFRS 10 – Consolidated Financial Statements

Effective from on or after
January 01, 2015

IFRS 10 replaces the part of IAS 27 Consolidated and Separate Financial Statements that deals with consolidated financial statements and SIC 12 Consolidation - Special Purpose Entities. Under IFRS 10, there is only one basis for consolidation for all entities, and that basis is control. This change is to remove the perceived inconsistency between the previous version of IAS 27 and SIC 12; the former used a control concept while the latter placed greater emphasis on risks and rewards. IFRS 10 includes a more robust definition of control in order to address unintentional weaknesses of the definition of control set out in the previous version of IAS 27. Specific transitional provisions are given for entities that apply IFRS 10 for the first time. Specifically, entities are required to make the 'control' assessment in accordance with IFRS 10 at the date of initial application, which is the beginning of the annual reporting period for which IFRS 10 is applied for the first time. No adjustments are required when the 'control' conclusion made at the date of initial application of IFRS 10 is the same before and after the application of IFRS 10. However, adjustments are required when the 'control' conclusion made at the date of initial application of IFRS 10 is different from that before the application of IFRS 10.

As per the industry practice, the Group does not consolidate its investment in mutual funds, whether controlled directly or indirectly. The Group is currently in a process of evaluating the impact of IFRS 10 on consolidation of mutual funds.

IFRS 11 – Joint Arrangements

Effective from on or after
January 01, 2015

IFRS 11 replaces IAS 31 Interest in Joint Ventures and SIC 13 Jointly Controlled Entities – Non monetary Contributions by Venturers. IFRS 11 deals with how a joint arrangement should be classified where two or more parties have joint control. There are two types of joint arrangements under IFRS 11: joint operations and joint ventures. These two types of joint arrangements are distinguished by parties' rights and obligations under the arrangements. Under IFRS 11, the existence of a separate vehicle is no longer a sufficient condition for a joint arrangement to be classified as a joint venture whereas, under IAS 31, the establishment of a separate legal vehicle was the key factor in determining whether a joint arrangement should be classified as a jointly controlled entity.

IFRS 12 – Disclosure of Interests in Other Entities

Effective from on or after
January 01, 2015

IFRS 12 is a new disclosure standard that sets out what entities need to disclose in their annual consolidated financial statements when they have interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities (broadly the same as special purpose entities under SIC 12). IFRS 12 aims to provide users of financial statements with information that helps evaluate the nature of and risks associated with the reporting entity's interest in other entities and the effects of those interests on its financial statements.

IFRS 13 – Fair Value Measurement

Effective from on or after
January 01, 2015

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. IFRS 13 gives a new definition of fair value for financial reporting purposes. Fair value under IFRS 13 is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market condition (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. IFRS 13 should be applied prospectively as of the beginning of the annual period in which it is initially applied.

Certain annual improvements have also been made to a number of IFRSs.

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 and the State Bank of Pakistan:



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

6. CRITICAL ACCOUNTING ESTIMATES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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 an intention to trade by taking advantage of short-term market / interest rate movements and are to be sold within 90 days of acquisition.
- 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 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'.

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 borrowers, the value of securities and the requirement of the Prudential Regulations are considered. For portfolio impairment / provision on consumer advances, the Group follows requirements set out in Prudential Regulations.

iii) 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 an 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 considers 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 contracted rates.

vi) Depreciation and amortisation of operating fixed assets

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 underlying assets, the method is 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".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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vii) 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 13.3.3 to these consolidated financial statements.

viii) Defined benefits plans and other benefits

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

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

7.1 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.

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.

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 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.

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

7.2 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

7.3 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 recognized 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.

7.4 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.

7.5 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.

(b) Held-to-maturity

These are securities with fixed or determinable payments and fixed maturities that are held with the intention and ability to hold 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

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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 recognized 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 recognize 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).

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.

7.6 Financial instruments

7.6.1 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.

7.6.2 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.

7.7 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.

7.8 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

7.9 Operating fixed assets and depreciation

Property and equipment

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.

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.

7.10 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 recognized as income.

7.11 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.

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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".

7.12 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.

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.

7.13 Staff retirement benefits

Defined contribution plan - the Group

The Group has established a provident fund scheme for all its eligible employees in accordance with the trust deed and rules made there under. Equal monthly contributions are made, both by the Group and the employees, to the fund at the rate defined below of basic salary. Contribution by the Group is charged to profit and loss account.

- The Bank (Holding Company)	10%
- JS Global Capital Limited (Subsidiary, the Company)	10%
- JS Investment Limited (Subsidiary, the Company)	8%

Defined benefit plan (Holding Company)

The Bank operates an approved funded gratuity scheme covering all its eligible employees who have completed minimum qualifying period. An actuarial valuation of defined benefit scheme is conducted at the end of every year or on occurrence of any significant change. The most recent valuation in this regard was carried out as at December 31, 2014, 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. Past-service costs are recognised immediately in profit and loss account and actuarial gains and losses are recognised immediately in other comprehensive income.

7.14 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 loans and advances, investments and continuous funding system transactions is recognised on accrual basis using effective interest method. Mark-up / return / interest income on non-performing loans and advances and investments 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.
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- 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 when services are rendered.
- 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 when services are rendered.
- 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.

7.15 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.

7.16 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.

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.

7.17 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.

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7.18 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:

7.18.1 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.

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.

Brokerage

This includes brokerage commission earned on transactions in capital, money, foreign exchange and commodity markets.

Asset management

This includes fee for services rendered in connection with the management of mutual funds.

7.18.2 Geographical segment

The Group has 238 (2013: 211) branches / sub-branches and operates only in one geographic region which is Pakistan.

7.19 Assets acquired in satisfaction of claims

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

7.20 Fiduciary assets

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

7.21 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.

7.22 Borrowings / deposits and their cost

Borrowings / deposits are recorded at the proceeds received. Borrowing / deposit costs are recognised as an expense in the



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period in which these are incurred to the extent that they are not directly attributable to the acquisition of or construction of qualifying assets. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) is capitalised as part of the cost of the asset.

7.23 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.

	Note	2014 Rupees in '000	2013
8. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		1,912,193	1,544,627
Foreign currencies		452,466	353,663
		2,364,659	1,898,290
With State Bank of Pakistan in:			
Local currency current account	8.1	4,745,145	3,740,253
Foreign currency current account - non remunerative	8.2	259,950	302,808
Foreign currency deposit account - remunerative	8.3	807,860	993,134
		5,812,955	5,036,195
With National Bank of Pakistan in:			
Local currency current accounts		862,559	838,201
National Prize Bonds		1,417	2,384
		9,041,590	7,775,070

8.1 These include local currency current accounts maintained with SBP as per the requirements of Section 22 of the Banking Companies Ordinance, 1962.

8.2 This represents current account maintained with the SBP under the requirements of BSD Circular No. 14 dated June 21, 2008.

8.3 This represents deposit accounts maintained with SBP under the requirements of BSD Circular No.14 dated June 21, 2008 and mandatory reserve maintained to facilitate collection and settlement to foreign currency accounts under FE-25, as prescribed by the SBP. Profit rates on this deposit account are fixed on a monthly basis by the SBP. It carries profit of 0% (2013: 0%) per annum.

	Note	2014 Rupees in '000	2013
9. BALANCES WITH OTHER BANKS			
In Pakistan			
On current accounts		231,953	169,477
On deposit accounts	9.1	19,901	23,707
		251,854	193,184
Outside Pakistan			
On current accounts		135,295	281,043
On deposit accounts	9.2	46,548	67,899
		181,843	348,942
		433,697	542,126

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9.1 These carry mark-up at the rate of 0% to 6% (2013: 0% to 5%) per annum.

9.2 This represents deposit accounts outside Pakistan, carrying mark-up rate at 0% (2013: 0%) per annum.

	Note	2014 Rupees in '000	2013
10. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	10.1	391,884	1,700,000
Lendings to financial institutions	10.2	5,727,062	3,529,419
Repurchase agreement lendings (Reverse Repo)	10.3	10,688,358	16,356,380
		<u>16,807,304</u>	<u>21,585,799</u>

10.1 These represent unsecured call money lendings to financial institutions carrying interest at the rates 0.03% (2013: 9.65% to 10.50%) per annum. This is due to mature on January 02, 2015.

10.2 These represent secured lendings to various financial institutions, carrying interest at the rates ranging from 10.88% and 14.68% (2013: 10.44% to 13.56%) per annum. These are due to mature between February 20, 2015 to June 03, 2018.

10.3 These are secured short-term lendings to various financial institutions, carrying mark-up rates ranging from 9.40% to 9.50% (2013: 9.40% to 9.90%) These are due to mature between January 21, 2015 to February 27, 2015. These are collateralized by Market Treasury Bills and Pakistan Investment Bonds as shown in note 10.5 below.

	2014 Rupees in '000	2013
10.4 Particulars of lendings		
In local currency	16,415,420	21,585,799
In foreign currency	391,884	-
	<u>16,807,304</u>	<u>21,585,799</u>

10.5 Securities held as collateral against lendings to financial institutions

Cost of securities held as collateral against reverse repurchase lendings to financial institutions are as under:

	2014			2013		
	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	7,757,658	2,930,700	10,688,358	5,601,309	4,630,312	10,231,621
Pakistan Investment Bonds	-	-	-	6,124,759	-	6,124,759
	<u>7,757,658</u>	<u>2,930,700</u>	<u>10,688,358</u>	<u>11,726,068</u>	<u>4,630,312</u>	<u>16,356,380</u>

10.5.1 The market value of securities held as collateral against lendings to financial institutions amounted to Rs. 10,758.002 million (2013: 16,454.319 million).



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11. INVESTMENTS - net

	2014			2013			
	Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total	
----- Rupees in '000 -----							
11.1 Investments by type							
Held-for-trading securities							
Market Treasury Bills	11.2.1	5,448,254	-	5,448,254	11,295,938	11,061,484	22,357,422
Pakistan Investment Bonds	11.2.1	8,525,457	9,333,905	17,859,362	367,638	-	367,638
Ordinary shares of listed companies	11.2.2	708,326	-	708,326	648,622	-	648,622
Term finance certificates - listed	11.2.5	19,512	-	19,512	82,438	-	82,438
Term finance certificates - unlisted	11.2.6	82,469	-	82,469	33,343	-	33,343
Sukuk certificates - listed	11.2.7	10,715	-	10,715	46,562	-	46,562
Sukuk certificates - unlisted	11.2.8	43,000	-	43,000	-	-	-
Open end mutual funds	11.2.9	399,587	-	399,587	648,182	-	648,182
		15,237,320	9,333,905	24,571,225	13,122,723	11,061,484	24,184,207
Available-for-sale securities							
Market Treasury Bills	11.2.1	17,478	-	17,478	1,371,973	1,492,101	2,864,074
Pakistan Investment Bonds	11.2.1	18,223,989	34,099,360	52,323,349	10,490,171	-	10,490,171
Ijara Sukuk	11.2.1	400	-	400	401	-	401
Ordinary shares of listed companies	11.2.2	893,211	-	893,211	1,252,948	-	1,252,948
Ordinary shares of unlisted companies	11.2.3	26,273	-	26,273	26,273	-	26,273
Preference shares of listed company	11.2.4	136,589	-	136,589	136,589	-	136,589
Term finance certificates - listed	11.2.5	664,805	-	664,805	864,957	-	864,957
Term finance certificates - unlisted	11.2.6	1,897,816	-	1,897,816	1,403,834	-	1,403,834
Sukuk Certificates - unlisted	11.2.8	400,000	-	400,000	-	-	-
Open end mutual funds	11.2.9	1,504,568	-	1,504,568	1,548,319	-	1,548,319
Foreign currency bonds (US \$)	11.2.10	1,093,673	-	1,093,673	1,726,004	-	1,726,004
		24,858,802	34,099,360	58,958,162	18,821,469	1,492,101	20,313,570
Total investments at cost		40,096,122	43,433,265	83,529,387	31,944,192	12,553,585	44,497,777
Less: Provision for diminution in value of investments	11.3	(1,037,057)	-	(1,037,057)	(1,274,042)	-	(1,274,042)
Investments (net of provision)		39,059,065	43,433,265	82,492,330	30,670,150	12,553,585	43,223,735
Unrealized gain / (loss) on revaluation of securities classified as held-for-trading	11.4	143,937	208,730	352,667	163,532	(4,394)	159,138
Surplus / (deficit) on revaluation of available-for-sale securities - net	11.1.1	1,650,432	1,266,073	2,916,505	473,704	(1,383)	472,321
Total investments at market value		40,853,434	44,908,068	85,761,502	31,307,386	12,547,808	43,855,194

11.1.1 This includes surplus on revaluation of available for sale investments of subsidiaries amounting to Rs. 123.592 million (2013: Rs. 302.094 million) which represents the pre-acquisition surplus 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	2014	2013
		Rupees in '000	
Federal Government Securities			
Market treasury bills	11.2.1	5,465,732	25,221,496
Pakistan investment bonds	11.2.1	70,182,711	10,857,809
Ijara sukuk	11.2.1	400	401
		75,648,843	36,079,706
Fully Paid Ordinary Shares			
Listed companies	11.2.2	1,601,537	1,901,570
Unlisted companies	11.2.3	26,273	26,273
		1,627,810	1,927,843

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	Note	2014 Rupees in '000	2013
Fully Paid Preference Shares			
Listed companies	11.2.4	136,589	136,589
Term Finance / Sukuk Certificates			
Term finance certificates – listed	11.2.5	684,317	947,395
Term finance certificates – unlisted	11.2.6	1,980,285	1,437,177
Sukuk certificates - listed	11.2.7	10,715	46,562
Sukuk certificates - unlisted	11.2.8	443,000	-
		3,118,317	2,431,134
Mutual Funds			
Open end mutual funds	11.2.9	1,904,155	2,196,501
Others			
Foreign currency bonds (US \$)	11.2.10	1,093,673	1,726,004
Total investments at cost		83,529,387	44,497,777
Less: Provision for diminution in value of investments	11.3	(1,037,057)	(1,274,042)
Investments (net of provisions)		82,492,330	43,223,735
Unrealized gain on revaluation of held-for-trading securities - net	11.4	352,667	159,138
Surplus on revaluation of available-for-sale securities - net	11.1.1	2,916,505	472,321
Total investments at market value		85,761,502	43,855,194

11.2.1 Details of investment in Federal Government Securities

	Market value					
	2014			2013		
	Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total
	----- Rupees in '000 -----					
Held-for-trading securities						
Market treasury bills	5,448,088	-	5,448,088	11,290,403	11,057,090	22,347,493
Pakistan investment bonds	8,656,902	9,542,635	18,199,537	369,955	-	369,955
	14,104,990	9,542,635	23,647,625	11,660,358	11,057,090	22,717,448
Available-for-sale securities						
Market treasury bills	17,487	-	17,487	1,370,829	1,490,718	2,861,547
Pakistan investment bonds	18,973,187	35,365,433	54,338,620	10,045,637	-	10,045,637
Ijara sukuk	401	-	401	404	-	404
	18,991,075	35,365,433	54,356,508	11,416,870	1,490,718	12,907,588
	33,096,065	44,908,068	78,004,133	23,077,228	12,547,808	35,625,036

11.2.1.1 Principal terms of investment in Federal Government Securities

Name of investment	Maturity	Redemption period	Coupon
Market Treasury Bills	January 08, 2015 to November 12, 2015	On maturity	At maturity
Pakistan Investment Bonds	July 19, 2015 to July 17, 2024	On maturity	Half Yearly
Ijara Sukuk	November 21, 2015	On maturity	Half Yearly

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11.2.2 Details of investment in ordinary shares of listed companies

Name of the company	Number of shares of Rs. 10 each		Rating	Cost		Market value	
	2014	2013		2014	2013	2014	2013
----- Rupees in '000 -----							
Held-for-trading securities							
Adamjee Insurance Company Limited	922,000	802,500	AA	45,791	30,054	45,602	29,989
Attock Refinery Limited	101,500	55,000	AA	19,004	11,361	19,059	11,422
D.G. Khan Cement Limited	754,000	614,500	Unrated	84,248	52,093	83,340	52,681
Engro Foods Limited	257,500	32,000	Unrated	26,891	3,336	27,949	3,342
Engro Corporation Limited	473,500	199,000	AA-	103,863	31,362	104,885	31,518
Fauji Fertilizer Bin Qasim Limited	54,500	34,000	Unrated	2,438	1,556	2,464	1,490
Fauji Fertilizer Company Limited	5,500	142,000	Unrated	645	16,577	644	15,898
Fatima Enterprizes Limited	28,000	-	AA-	957	-	1,002	-
Fauji Cement Company Limited	98,500	-	Unrated	2,429	-	2,545	-
K-Electric Limited	10,000	-	A+	93	-	92	-
Maple Leaf Cement Factory Limited	280,000	-	A-	12,047	-	12,390	-
National Bank of Pakistan Limited	847,000	854,500	AAA	55,862	49,941	58,833	49,612
Nishat Mills Limited	209,000	530,500	A-	24,910	67,931	25,287	67,501
Oil and Gas Development Company Limited	177,000	-	Unrated	37,593	-	36,438	-
Pakistan Petroleum Limited	200,500	143,000	Unrated	16,538	30,742	17,165	30,596
Pakistan State Oil Limited	616,000	75,500	AA+	111,040	24,944	108,736	25,083
Pakistan Telecommunication Company Limited	334,000	1,522,500	Unrated	120,697	46,173	119,542	43,300
Pioneer Cement Limited	310,500	-	Unrated	7,025	-	7,151	-
The Bank of Punjab	125,000	-	AA-	1,345	-	1,369	-
United Bank Limited	200,000	1,000	AA+	34,910	132	35,342	133
Bank Al-Falah Limited	-	307,000	-	-	8,404	-	8,301
Ghani Glass Limited	-	6,300,000	-	-	253,679	-	377,999
MCB Bank Limited	-	63,000	-	-	17,763	-	17,714
Nishat Chunian Limited	-	44,500	-	-	2,574	-	2,679
				708,326	648,622	709,835	769,258
Available-for-sale securities							
Ghani Glass Limited	7,900,029	2,845,404	Unrated	425,777	114,572	536,965	170,724
IGI Insurance Limited	241,100	-	AA	58,790	-	65,237	-
Orix Leasing Pakistan Limited	592,500	-	AA+	28,457	-	28,470	-
Sitara Chemical Industries Limited	1,417,100	906,300	A+	380,187	203,613	448,314	222,053
Attock Cement Pakistan Limited	-	823,400	-	-	108,401	-	117,442
Fauji Fertilizer Company Limited	-	1,936,500	-	-	223,328	-	216,811
Indus Motor Company Limited	-	66,200	-	-	22,148	-	22,045
Kohat Cement Company Limited	-	1,006,000	-	-	77,605	-	98,357
Millat Tractor Limited	-	626,131	-	-	309,327	-	302,108
Pakistan State Oil Company Limited	-	740,000	-	-	193,954	-	245,843
				893,211	1,252,948	1,078,986	1,395,383
				1,601,537	1,901,570	1,788,821	2,164,641

11.2.3 Details of investment in ordinary shares of unlisted companies

Name of the company	Number of shares of Rs. 10 each		Rating	Cost	
	2014	2013		2014	2013
Karachi Stock Exchange Limited	4,007,383	4,007,383	Unrated	15,273	15,273
Islamabad Stock Exchange Limited	3,034,603	3,034,603	Unrated	11,000	11,000
				26,273	26,273

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11.2.3.1 Pursuant to demutualization of the Islamabad Stock Exchange Limited (ISEL) and Karachi Stock Exchange Limited (KSEL), the ownership rights in Stock Exchanges were segregated from the right to trade on an exchange. As a result of such demutualization, the Group received shares and Trading Right Entitlement Certificate (TREC) from the ISEL and KSEL against its membership card which was carried at Rs. 32 million in the books of the Group.

Out of total shares issued by the ISEL & KSEL, the Group has received 40% equity shares i.e. 2,816,794 shares in its CDC account. The remaining 60% shares (4,225,192 shares) have been transferred to CDC sub-account in the Bank's and JSGCL's name under the ISEL and KSEL participants IDs with the CDC which will remain blocked until these are divested/sold to strategic investor(s), general public and financial institutions and proceeds are paid to the Bank and JSGCL.

11.2.4 Details of investment in preference shares of listed companies

Name of the company	Percentage of holding	Face value per share	Number of shares	Cost		Market value	
				2014	2013	2014	2013
----- Rupees in '000 -----							
Available-for-sale securities							
Agritech Limited (note 11.2.4.1 & 11.2.4.3)	3.03%	10	4,823,746	48,236	48,236	-	43,414
Chenab Limited (note 11.2.4.2 & 11.2.4.3)	15.45%	10	12,357,000	88,353	88,353	-	25,826
				<u>136,589</u>	<u>136,589</u>	<u>-</u>	<u>69,240</u>

11.2.4.1 These are non-voting cumulative preference shares, carrying preference dividend @ 10% p.a and are convertible into ordinary shares at the option of the Bank after five years from the date of issuance i.e. February 2012. The investee company also has the option to redeem these preference shares plus any unpaid dividend in full or in part, within ninety days after expiry of each anniversary of the issue date. The Bank has recognised full impairment on these shares amounting to Rs. 48.236 million (2013: Rs. Nil) due to weak financial position of the company.

11.2.4.2 These are cumulative preference shares, carrying preference dividend @ 9.25% p.a and are redeemable in part after four years from the date of issuance i.e. August 2008. The investee company also has an option to redeem, in part, cumulative preference shares after August 2008. The Bank has recognized full impairment on these shares amounting to Rs. 88.353 million (2013: Rs. 88.353 million) due to weak financial position of the company.

11.2.4.3 Surplus arising due to remeasurement of these shares to the market value has not been recognized as management believes that the surplus may not be realized while selling them in open market.

11.2.5 Details of investment in term finance certificates - listed *

Name of the company	Number of certificates		Rating	Cost		Market value	
	2014	2013		2014	2013	2014	2013
----- Rupees in '000 -----							
Held-for-trading securities							
Allied Bank Limited - 2nd Issue	400	1,000	AA	1,913	5,242	1,953	4,785
Engro Fertilizers Pakistan Limited - 4th Issue Pakistan Mobile Communication Limited - 7th Issue	400	400	A+	1,465	1,680	1,368	1,705
Jahangir Siddiqui Co. Ltd. - 7th issue - related party	200	200	AA	10,721	15,578	11,150	15,721
Allied Bank Limited - 1st Issue	2,100	2,100	AA+	5,413	7,875	5,251	8,038
Bank Alfalah Limited - 5th Issue	-	1,000	-	-	2,589	-	2,553
Engro Fertilizers Pakistan Limited - 3rd Issue	-	475	-	-	2,398	-	2,448
Orix Leasing Pakistan Limited	-	6,700	-	-	32,454	-	33,401
Tameer Sarmaya Certificate - 1st Issue	-	100	-	-	1,957	-	1,962
Tameer Sarmaya Certificate - 2nd Issue	-	1,000	-	-	4,988	-	4,988
United Bank Limited - 3rd Issue	-	1,000	-	-	4,988	-	4,988
	-	1,600	-	-	2,688	-	2,659
				<u>19,512</u>	<u>82,437</u>	<u>19,722</u>	<u>83,248</u>



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Name of the company	Number of certificates		Rating	Cost		Market value	
	2014	2013		2014	2013	2014	2013
----- Rupees in '000 -----							
Available-for-sale securities							
Allied Bank Limited - 2nd Issue	9,600	9,000	AA	47,931	44,928	46,863	43,061
Askari Bank Limited - 3rd Issue	8,236	8,236	AA-	41,170	41,196	40,306	41,727
Engro Fertilizer Limited - 3rd Issue	35,119	35,119	A+	126,509	147,633	120,107	149,695
Jahangir Siddiqui Co. Ltd. - 7th issue - related party	5,000	-	AA+	24,063	-	24,821	-
Pakistan Mobile Communication Limited	4,200	4,200	AA-	231,000	336,000	234,147	339,008
World Call Telecommunication Limited (note 11.2.5.1)	90,650	90,650	Unrated	194,132	194,132	70,822	135,893
Engro Fertilizer Limited - 1st Issue	-	13,980	-	-	69,347	-	69,725
Faysal Bank Limited	-	2,341	-	-	5,841	-	5,867
Orix Leasing Pakistan Limited - 2nd Issue (face value of Rs.100,000 each)	-	1,294	-	-	25,880	-	25,941
				664,805	864,957	537,066	810,917
				684,317	947,394	556,788	894,165

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

11.2.5.1 Surplus arising due to remeasurement of these term finance certificates to the market value has not been recognized as management believes that the surplus may not be realized while selling them in open market.

11.2.5.2 Other particulars of listed term finance certificates are as follows:

Name of the company	Repayment frequency	Rate per annum	Maturity date
Held-for-trading securities			
Allied Bank Limited - 2nd issue	Semi-annually	6 Month KIBOR ask rate plus 0.85% (for first five years)	August 28, 2019
Engro Fertilizer Limited - 4th Issue	Semi-annually	6 Months KIBOR ask rate plus 2.40%	December 17, 2016
Jahangir Siddiqui Co. Ltd. 7th issue -related party	Semi-annually	6 Months KIBOR ask rate plus 2.40%	October 30, 2016
Pakistan Mobile Communication Limited	Quarterly	3 Month KIBOR ask rate plus 2.65%	April 18, 2016
Available-for-sale securities			
Allied Bank Limited - 2nd Issue	Semi-annually	6 Month KIBOR ask rate plus 0.85% (for five years)	August 28, 2019
Askari Bank Limited - 3rd Issue	Semi-annually	6 Month KIBOR ask rate plus 2.50% (for first five years)	November 18, 2019
Engro Fertilizer Limited - 3rd Issue	Semi-annually	6 Months KIBOR ask rate plus 2.40%	December 17, 2016
Jahangir Siddiqui Co. Ltd. - 7th issue -related party	Semi-annually	6 Months KIBOR ask rate plus 2.40%	October 30, 2016
Pakistan Mobile Communication Limited	Quarterly	3 Month KIBOR ask rate plus 2.00%	April 18, 2016
World Call Telecommunication Limited	Semi-annually	6 Month KIBOR ask rate plus 1.60%	October 7, 2015

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11.2.6 Details of investment in term finance certificates - unlisted, secured

Name of the company	Number of certificates		Rating	Face value per certificate Rupees	Cost	
	2014	2013			2014	2013
Held-for-trading securities						
Bank Al Habib Limited - 4th Issue	7,000	5,960	AA	5,000	37,469	33,343
Askari Bank Limited - 5th Issue	9,000	-	AA-	5,000	45,000	-
					82,469	33,343
Available-for-sale securities						
Agritech Limited (note 11.2.6.3)	30,000	30,000	Unrated	5,000	149,860	149,860
Askari Bank Limited	120,000	-	AA-	5,000	600,000	-
Askari Bank Limited - 4th Issue	75	75	AA-	1,000,000	75,157	75,207
Azgard Nine Limited (related party) (note 11.2.6.2)	29,998	29,998	Unrated	5,000	65,022	65,022
Azgard Nine Limited (related party) (privately placed TFCs - note 11.2.6.1)	12	12	Unrated	N/A	326,456	326,456
Bank Alfalah Limited	1,440	1,440	AA-	5,000	7,224	7,237
Engro Fertilizer Limited - 2nd Issue	1,100	1,100	A	5,000	5,163	5,089
Independent Media Corporation (Pvt.) Limited	20,000	20,000	A-	5,000	75,000	95,000
Nishat Chunian Limited	50,000	50,000	A	5,000	46,875	109,375
Pakistan Mobile Communication Limited	20,000	20,000	Unrated	5,000	47,059	70,588
Water & Power Development Authority	100,000	100,000	AAA	5,000	500,000	500,000
					1,897,816	1,403,834
					1,980,285	1,437,177

11.2.6.1 These PPTFCs are held by JS Global Capital Limited (subsidiary, the Company) has recognised full provision considering the financial position of the issuer amounting to Rs. 326.456 million (2013: Rs. 326.456 million).

11.2.6.2 The Group has recognised impairment on these term finance certificates amounting to Rs. 20.350 million (2013: Nil) due to weak financial position of the company.

11.2.6.3 The State Bank of Pakistan (SBP) vide its letter number BPRD/BRD-(Policy)/2014-11546 dated June 27, 2014 has allowed the relaxation from PR-8 to the Bank from provision required in respect of the Bank's exposure in Agritech Limited. The provision is held at 75% of the required provision in this unconsolidated financial statements whereas the remaining provision will be made in phased manner at 80%, 85%, 90% and 100% by end of each quarter respectively till December 31, 2015. Had the relaxation not been granted by the SBP, the provision charge for the year would have been increased by net of tax amounting to Rs. 24.352 million.

11.2.6.4 Other particulars of unlisted term finance certificates are as follows:

Name of the company	Repayment frequency	Rate per annum	Maturity date
Held-for-trading securities			
Bank Al Habib Limited - 4th Issue (Chief Executive: Mr. Abbas D. Habib)	Semi-annually	Fixed at 15%	June 30, 2021
Askari Bank Limited - 5th Issue (Chief Executive: Mr. Syed.M. Husaini)	Semi-annually	6 Month KIBOR ask rate plus 1.2%.	September 30, 2024
Available-for-sale securities			
Agritech Limited (Chief Executive: Mr. Muhammad Khalid Mir)	Semi-annually	6 Month KIBOR ask rate plus 1.75%.	December 31, 2015
Askari Bank Limited (Chief Executive: Mr. Syed.M. Husaini)	Semi-annually	6 Month KIBOR ask rate plus 1.75%.	December 23, 2021
Askari Bank Limited (Chief Executive: Mr. Syed.M. Husaini)	Semi-annually	6 Month KIBOR ask rate plus 1.20%.	September 30, 2024
Azgard Nine Limited - a related party (Chief Executive: Mr. Ahmed H. Shaikh)	Semi-annually	6 Month KIBOR ask rate plus 1.25%.	December 4, 2017



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Name of the company	Repayment frequency	Rate per annum	Maturity date
Bank Alfalah Limited (Chief Executive: Mr. Atif Bajwa)	Semi-annually	6 Months KIBOR ask rate plus 2.50 %	December 2, 2017
Engro Fertilizer Ltd. (Chief Executive: Mr. Ruhail Mohammad)	Semi-annually	6 Months KIBOR ask rate plus 1.90%	March 18, 2018
Independent Media Corporation (Pvt.) Limited (Chief Executive: Mr. Mir Ibrahim Rahman)	Quarterly	3 Months KIBOR ask rate plus 3.00%	August 5, 2018
Nishat Chunian Limited (Chief Executive: Mr. Shahzad Saleem)	Quarterly	3 Months KIBOR ask rate plus 2.25%	September 30, 2015
Pakistan Mobile Communication Limited (Chief Executive: Mr. Rashid Khan)	Quarterly	3 Months KIBOR ask rate plus 2.00%	October 13, 2016
Water & Power Development Authority - (Chairman: Syed Raghob Abbas Shah)	Semi-annually	6 Months KIBOR ask rate plus 1.00%	September 27, 2021

11.2.7 Sukuk certificates - listed

Name of the company	Number of certificates		Rating	Cost		Market value	
	2014	2013		2014	2013	2014	2013
----- Rupees in '000 -----							
Held-for-trading securities							
Engro Corporation Limited - Islamic Rupiya I	1,505	520	AA	7,940	2,555	7,993	2,615
Engro Corporation Limited - Islamic Rupiya II	505	8,890	AA	2,775	44,007	2,680	45,020
				<u>10,715</u>	<u>46,562</u>	<u>10,673</u>	<u>47,635</u>

11.2.7.1 Details of investments in unlisted sukuk certificate

Name of the company	Repayment frequency	Rate per annum	Maturity date
Held-for-trading securities			
Engro Corporation Limited - Islamic Rupiya I	Semi-annually	Fixed at 13%	July 10, 2017
Engro Corporation Limited - Islamic Rupiya II	Semi-annually	Fixed at 13%	July 10, 2019

11.2.8 Sukuk certificates - unlisted

Name of the company	Number of certificates		Rating	Face value per certificate	Cost	
	2014	2013			2014	2013
Rupees						
Rupees in '000						
Held-for-trading securities						
Engro Fertilizer Limited	8,000	-	A+	5,000	40,000	-
Al Baraka Bank Limited	3	-	AA-	1,000,000	3,000	-
					<u>43,000</u>	<u>-</u>
Available-for-sale securities						
Engro Fertilizer Limited	80,000	-	A+	5,000	400,000	-
					<u>443,000</u>	<u>-</u>

11.2.8.1 Details of investment in unlisted sukuk certificates

Name of the company	Repayment frequency	Rate per annum	Maturity date
Held-for-trading securities			
Engro Fertilizer Limited	Semi-annually	6 Months KIBOR ask rate plus 1.75 %	July 9, 2019
Al Baraka Bank Limited	Semi-annually	6 Months KIBOR ask rate plus 1.25 %	September 26, 2021
Available-for-sale securities			
Engro Fertilizer Limited	Semi-annually	6 Months KIBOR ask rate plus 1.75 %	July 9, 2019

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11.2.9 Details of investment in units of open end mutual funds

Name of fund	Number of units		Rating	Net asset value per unit Rupees	Cost		Market value	
	2014	2013			2014	2013	2014	2013
----- Rupees in '000 -----								
Held-for-trading securities								
JS Cash Fund - related party	3,403,767	2,536,885	AA+(f)	106.78	357,080	239,613	363,454	260,740
JS Income Fund - related party	512,226	3,939,805	A+(f)	91.98	42,507	325,201	47,115	347,008
UBL Islamic Cash Fund	-	4,997,551	-	-	-	50,000	-	50,000
UBL Liquidity Plus Fund	-	357,402	-	-	-	33,368	-	35,946
					399,587	648,182	410,569	693,694
Available-for-sale - related parties (note: 10.2.9.1)								
JS Value Fund (note: 10.2.9.2)	2,683,692	3,137,966	4-Star	182.51	419,689	490,097	489,801	443,865
JS Growth Fund	4,705,607	5,814,246	4-Star	158.56	589,329	760,563	746,121	733,990
JS Fund of Funds	2,088,869	1,072,363	4-Star	49.93	87,907	36,844	104,297	51,087
JS Islamic Government Securities Fund	1,345,478	1,328,248	AA-(f)	101.92	124,200	126,678	137,131	133,807
JS Islamic Pension Savings Fund - Equity	200,000	250,000	Unrated	510.31	20,000	25,000	102,062	82,985
JS Islamic Pension Savings Fund - Debt	213,852	213,852	Unrated	173.91	21,385	21,385	37,191	35,998
JS Islamic Pension Savings Fund - Money Market	222,303	222,303	Unrated	153.73	22,230	22,230	34,175	32,547
JS Pension Savings Fund - Money Market	177,463	177,463	Unrated	164.83	17,746	17,746	29,251	27,324
JS Pension Savings Fund - Debt	177,761	177,761	Unrated	199.91	17,776	17,776	35,536	31,912
JS Pension Savings Fund - Equity	240,000	300,000	Unrated	409.51	24,000	30,000	98,282	76,383
JS Income Fund	1,866,852	-	A+(f)	91.98	160,306	-	171,713	-
					1,504,568	1,548,319	1,985,560	1,649,898
					1,904,155	2,196,501	2,396,129	2,343,592

11.2.9.1 The Group has recognised impairment on these units amounting to Rs. 317.957 million (2013: Rs. 716.086) due to weak financial position of the funds.

11.2.9.2 The Group has recognized impairment on these units amounting to Nil (2013: 68.216 million) as per BSD circular No. 04, 2009 dated February 13, 2009.



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11.2.10 Details of investment in foreign currency bonds (US \$)

Name of Bond	Rating		Coupon Rate %	Date of maturity	Cost		Market value	
	2014	2013			2014	2013	2014	2013
----- Rupees in '000 -----								
Available for sale								
Banco BTG Pactual S.A	Baa3	Baa3	4.00%	16-Jan-20	57,711	60,041	54,562	55,074
Yapi Kredi Bankasi	BBB	Baa2	4.00%	22-Jan-20	100,128	104,887	93,826	94,286
Turkiye Halk Bankasi	BBB-	Baa2	3.88%	5-Feb-20	62,281	65,187	60,572	58,340
Bank Pozitif	BBB-	BBB-	5.00%	7-Aug-18	105,507	210,649	103,925	198,537
IDBI Bank Ltd	BBB-	Baa3	4.13%	23-Apr-20	100,922	94,614	100,836	87,741
Emirates NBD PJSC	A	A	5.00%	27-Nov-23	98,876	103,495	104,251	104,535
FLR NTS Emirates NBD PJSC	Baa1	A+	3.55%	29-Mar-17	100,483	105,325	102,328	107,900
SB Capital SA (Sber Bank)	BBB-	Baa3	5.13%	29-Oct-22	197,706	157,987	152,735	151,272
Gazprombank (OJSC)	BBB-	-	4.96%	5-Sep-19	67,022	-	51,607	-
Aferican Export-Import Bank (AFREXIMBANK)	Baa2	-	4.75%	29-Jul-19	50,149	-	49,770	-
Samarco Mineracao SA	BBB	-	5.38%	26-Sep-24	50,242	-	46,222	-
Russian Federation	Baa2	-	5.00%	22-Apr-20	102,646	-	93,967	-
Power Grid India	-	BBB-	3.88%	-	-	97,307	-	90,813
ADCB Fin Cayman	-	A	4.50%	-	-	52,233	-	51,030
Tanner S Financieros SA	-	BBB-	4.38%	-	-	52,413	-	50,635
Turk Vak Bank Tao (Turkiye Vakiflar Bankasi)	-	Baa2	3.75%	-	-	24,944	-	24,002
Ageas Capital Asia	-	A-	4.13%	-	-	72,957	-	69,416
Union Bank Of India HK	-	Baa3	3.63%	-	-	104,929	-	100,897
Turkiye Finans Via TF Va (Fin Katilim Bk)	-	BBB	3.95%	-	-	21,065	-	20,217
Kazagro Natl Mgmt Hldng	-	BBB+	4.63%	-	-	52,552	-	48,444
Emirates NBD Tier 1	-	A+	5.75%	-	-	50,835	-	46,993
Indian Oil Corp Ltd	-	Baa3	5.75%	-	-	21,065	-	20,573
Banco Nacional	-	Baa3	4.88%	-	-	52,456	-	52,072
ICICI Bank Ltd	-	Baa2	4.80%	-	-	68,198	-	68,769
Tupras-Turkiye Petrol Ra	-	BBB-	4.13%	-	-	26,287	-	25,278
Indian Overseas Bank	-	Baa3	4.63%	-	-	105,513	-	104,575
Trukiye Bankasi	-	BBB-	6.00%	-	-	21,065	-	18,706
					1,093,673	1,726,004	1,014,601	1,650,105

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		2014	2013
		Rupees in '000	
11.3	Particulars of provision for diminution in value of investments		
	Opening balance	1,274,042	1,439,540
	Charge for the year	229,360	87,973
	Reversal on disposal of investments	(466,345)	(253,471)
		<u>(236,985)</u>	<u>(165,498)</u>
	Closing balance	<u>1,037,057</u>	<u>1,274,042</u>
		2014	2013
		Rupees in '000	
11.3.1	Particulars of provision for diminution in value of investments by type and segment		
	Available-for-sale		
	Preference shares of listed company	136,589	88,353
	Open end mutual funds	317,957	784,303
	Term Finance Certificates - unlisted	459,201	401,386
	Term Finance Certificates - listed	123,310	-
		<u>1,037,057</u>	<u>1,274,042</u>
11.4	Unrealized gain / (loss) on revaluation of investments classified as held-for-trading - net		
	Market Treasury Bills	(166)	(9,929)
	Pakistan Investment Bonds	340,175	2,317
	Ordinary shares of listed companies	1,509	120,636
	Term finance certificates - listed	209	811
	Term finance certificates - unlisted	-	(1,282)
	Sukuk certificates - listed	(42)	1,073
	Open end mutual funds	10,982	45,512
		<u>352,667</u>	<u>159,138</u>
12.	ADVANCES		
	Loans, cash credit, running finances, etc.		
	In Pakistan	55,013,205	32,490,432
	Outside Pakistan	-	-
		<u>55,013,205</u>	<u>32,490,432</u>
	Net investment in finance lease in Pakistan	1,618,581	582,682
	Bills discounted and purchased (excluding market treasury bills)		
	payable in Pakistan	866,117	944,448
	payable outside Pakistan	1,276,707	1,152,631
		<u>2,142,824</u>	<u>2,097,079</u>
	Financing in respect of margin trading system	-	-
	Advances - gross	<u>58,774,610</u>	<u>35,170,193</u>
	Provision against non-performing advances - specific	(2,051,035)	(1,398,195)
	Provision against non-performing advances - general	(7,784)	(2,990)
		<u>(2,058,819)</u>	<u>(1,401,185)</u>
	Advances - net of provision	<u>56,715,791</u>	<u>33,769,008</u>
12.1	Particulars of advances (gross)		
12.1.1	In local currency	55,489,479	34,017,562
	In foreign currency	3,285,131	1,152,631
		<u>58,774,610</u>	<u>35,170,193</u>
12.1.2	Short term (for upto one year)	52,838,545	32,396,713
	Long term (for over one year)	5,936,065	2,773,480
		<u>58,774,610</u>	<u>35,170,193</u>



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12.2 Particulars of net investment in finance lease

	2014			2013		
	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			Rupees in '000		
Lease rentals receivable	610,926	954,622	1,565,548	232,614	323,363	555,977
Guaranteed residual value	21,012	297,724	318,736	11,452	103,598	115,050
Minimum lease payments	631,938	1,252,346	1,884,284	244,066	426,961	671,027
Finance charges for future periods	(138,487)	(127,216)	(265,703)	(49,354)	(38,991)	(88,345)
Present value of minimum lease payments	493,451	1,125,130	1,618,581	194,712	387,970	582,682

12.3 Advances include Rs. 2,812.617 million (2012: Rs.2,758.377 million) which have been placed under non-performing status as detailed below:

Category of classification	2014			Provision required	Provision held
	Domestic	Overseas	Total		
	Rupees in '000				
Other assets especially mentioned	-	-	-	-	-
Substandard	4,159	-	4,159	-	-
Doubtful	158,122	-	158,122	2,065	2,065
Loss	2,650,336	-	2,650,336	2,048,970	2,048,970
12.3.1	2,812,617	-	2,812,617	2,051,035	2,051,035

Category of classification	2013			Provision required	Provision held
	Domestic	Overseas	Total		
	Rupees in '000				
Other assets especially mentioned	-	-	-	-	-
Substandard	414,666	-	414,666	50,016	50,016
Doubtful	34,269	-	34,269	3,361	3,361
Loss	2,309,442	-	2,309,442	1,344,818	1,344,818
	2,758,377	-	2,758,377	1,398,195	1,398,195

12.3.1 The State Bank of Pakistan (SBP) vide its letter number BPRD/BRD-(Policy)/2014-11546 dated June 27, 2014 has allowed the relaxation from PR-8 to the Bank from provision required in respect of the Bank's exposure in Agritech Limited. The provision is held at 75% of the required provision in this unconsolidated financial statements whereas the remaining provision will be made in phased manner at 80%, 85%, 90% and 100% by end of each quarter respectively till December 31, 2015. Had the relaxation not been granted by the SBP, the provision charge (net of benefit of forced sale value) for the year would have been increased by net of tax amounting to Rs. 160.435 million.

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12.4 Particulars of provision against non-performing advances

	2014			2013		
	Specific	General	Total	Specific	General	Total
	----- Rupees in '000 -----			----- Rupees in '000 -----		
Opening balance	1,398,195	2,990	1,401,185	970,062	1,191	971,253
Charge for the year (note 12.4.1)	749,436	4,794	754,230	571,118	1,799	572,917
Amounts written off / reversals	(96,596)	-	(96,596)	(142,985)	-	(142,985)
	652,840	4,794	657,634	428,133	1,799	429,932
Amount written off from the opening balance	-	-	-	-	-	-
Closing Balance	2,051,035	7,784	2,058,819	1,398,195	2,990	1,401,185
In local currency	2,051,035	7,784	2,058,819	1,398,195	2,990	1,401,185
In foreign currencies	-	-	-	-	-	-
	2,051,035	7,784	2,058,819	1,398,195	2,990	1,401,185

12.4.1 The general provision includes provision made against consumer portfolio in accordance with the Prudential Regulations issued by SBP at 1.5% and 5% of fully secured consumer, and credit card portfolio (unsecured) respectively.

12.5 The State Bank of Pakistan through various circulars has allowed benefit of the forced sale value (FSV) of Plant and Machinery under charge, pledged stock and mortgaged residential, commercial and industrial properties (land and building only) held as collateral against non-performing loans (NPLs) for a maximum of five years from the date of classification. As at December 31, 2014, the Group has availed cumulative benefit of FSV of Rs.432.601 million (2013: 782.624 million) under the directives of the SBP. Had the benefit not been taken the unappropriated profit after tax would have been reduced by Rs. 281.190 million (2013: Rs. 508.706 million). Further, as required by the SBP directives, this unappropriated profit will not be available for distribution as dividend or other appropriations.

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

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

	Note	2014 Rupees in '000	2013 Rupees in '000
Balance at the beginning of the year		878,428	647,267
Loans granted during the year		384,854	381,906
Repayments		(169,368)	(150,745)
Balance at the end of the year		1,093,914	878,428

Debts due by associates are disclosed in note 41.

13. OPERATING FIXED ASSETS

Capital work-in-progress	13.1	91,701	283,078
Property and equipment	13.2	2,101,667	1,819,042
Intangible assets	13.3	1,719,483	1,648,664
		3,912,851	3,750,784

13.1 Capital work-in-progress

Property and equipment

Civil works	32,889	20,987
Advances for purchase of building	-	200,823
Advances for purchase of furniture & fixtures	2,128	2,402
Advance for purchase of vehicles	13,453	7,639
Advance for purchase of equipment	43,231	51,227
	91,701	283,078

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13.2 Property and equipment

	COST					ACCUMULATED DEPRECIATION				Book value as at December 31, 2014	Rate %
	As at January 01, 2014	Additions / Adjustments	Deletions	As at December 31, 2014	As at January 01, 2014	Depreciation on Deletions / Adjustments	Charge for the year	As at December 31, 2014			
Land, freehold	119,367	215,500 (119,367)	-	215,500	-	-	-	-	215,500	-	-
Building on free hold land	51,716	-	-	51,716	2,220	-	1,589	2,742	48,974	1.01	1.01
Building on lease hold land	486,230	34,862	-	521,092	111,303	(1,067)	13,756	126,146	394,946	1.02 - 4.78	1.02 - 4.78
Lease hold improvements	560,924	90,098 (202)	(95)	650,725	228,020	1,087 (68)	60,719	288,062	362,663	10	10
Furniture and fixture	276,552	45,444	(2,120)	319,876	138,750	(1,847) 255	33,101	170,259	149,617	10 - 12.5	10 - 12.5
Electrical, office and computer equipment	1,297,002	242,022 (687)	(12,235)	1,526,102	766,883	(8,538) 59	156,195	916,599	609,503	12.5 - 33.3	12.5 - 33.3
Vehicles	436,613	145,770	(40,209)	542,174	160,186	(31,870) 21	93,373	221,710	320,464	20	20
	3,228,404	773,696 (120,256)	(54,659)	3,827,185	1,409,362	(42,323) (254)	358,733	1,725,518	2,101,667		
Rupees in '000											
	COST					ACCUMULATED DEPRECIATION				Book value as at December 31, 2013	Rate %
	As at January 01, 2013	Additions / Adjustments	Deletions	As at December 31, 2013	As at January 01, 2013	Depreciation on Deletions / Adjustments	Charge for the year	As at December 31, 2013			
Land, Freehold	119,367	-	-	119,367	-	-	-	-	119,367	-	-
Building on free hold land	55,478	(3,762)	-	51,716	2,007	(309)	522	2,220	49,496	1.01	1.01
Building on lease hold land	480,931	1,400 3,899	-	486,230	89,720	7,354	14,229	111,303	374,927	1.02 - 4.78	1.02 - 4.78
Lease hold improvements	493,375	69,971 (137)	(2,285)	560,924	184,792	(391) (7,045)	50,664	228,020	332,904	10	10
Furniture and fixture	241,535	35,119	(102)	276,552	109,205	(96)	29,641	138,750	137,802	10 - 12.5	10 - 12.5
Electrical, office and computer equipment	1,045,543	258,623	(7,164)	1,297,002	658,212	(6,132)	116,803	768,883	528,119	12.5 - 33.3	12.5 - 33.3
Vehicles	367,826	139,997	(71,210)	436,613	141,065	(56,506)	75,627	160,186	276,427	20	20
	2,804,055	505,110	(80,761)	3,228,404	1,185,001	(63,125)	287,486	1,409,362	1,819,042		

13.2.1 Included in cost of property and equipment are fully depreciated items still in use having cost of Rs. 527.22 million (2013: Rs. 369.283 million).

13.2.2 The details of disposals of assets whose original cost or book value exceeds one million rupees or two hundred and fifty thousand rupees respectively, whichever is lower, are given in Annexure "I" of these consolidated financial statements.

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for the year ended December 31, 2014

13.3 Intangible assets

Note	COST		ACCUMULATED AMORTISATION			Book value as at December 31, 2014	Rate %
	As at January 01, 2014	As at December 31, 2014	As at January 01, 2014	Amortisation Charge for the year	As at December 31, 2014		
11.2.3	5,727	5,727	-	-	-	5,727	-
13.3.1	3,500	3,500	-	-	-	3,500	-
	175,000	175,000	-	-	175,000	-	-
	299,475	406,002	-	35,481	159,370	246,632	10 - 50
13.3.4	1,463,624	1,463,624	-	227	-	1,463,624	-
	1,947,326	2,053,853	-	35,481	334,370	1,719,483	-
	-	941	-	227	-	-	-
	COST		ACCUMULATED AMORTISATION / IMPAIRMENT			Book value as at December 31, 2013	Rate %
	As at January 01, 2013	As at December 31, 2013	As at January 01, 2013	Amortisation Charge for the year	As at December 31, 2013		
11.2.3	32,000	-	-	-	-	-	-
11.2.4	-	5,727	-	-	-	5,727	-
13.3.1	3,500	3,500	-	-	-	3,500	-
	175,000	175,000	-	105,000	175,000	-	-
	225,162	299,475	-	21,475	123,662	175,813	10 - 50
13.3.3	1,463,624	1,463,624	-	-	-	1,463,624	-
	1,899,286	1,947,326	172,187	126,475	298,662	1,648,664	-
	-	(32,000)	-	-	-	-	-

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

13.3.3 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 Group.

	2014	2013
	Percentage	
Discount rate	23.18	21.62
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. 1,388.352 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 (%)	
	2014	2013
Cost of equity	4.08	1.95
Terminal growth rate	(7.98)	(3.18)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

14. DEFERRED TAX LIABILITIES - net	Note	2014	2013
		Rupees in '000	
Deferred tax debits arising from:			
Unused tax losses	14.2	433,682	1,019,506
Provision against investments		137,425	81,025
Provision against loans, advances and trade debts		259,380	236,343
Minimum tax	14.3	194,148	160,075
Unrealized loss on derivative instruments		83,796	(3,589)
Provision for donation		4,639	-
Provision for Workers' Welfare Fund		24,127	31,648
		1,137,197	1,525,008
Deferred tax credits arising due to:			
Operating fixed assets		(156,214)	(182,948)
Goodwill		(410,095)	(358,588)
Unrealized gain on revaluation of investment classified as held for trading		(125,413)	(40,978)
(Surplus) / deficit on revaluation of investment classified assets as available for sale		(749,732)	110,464
		(1,441,454)	(472,050)
		(304,257)	1,052,958

14.1 Movement in temporary differences during the year:

	Balance as at January 01, 2013	Recognised in profit and loss account	Recognised in equity / OCI	Balance as at December 31, 2013	Recognised in profit and loss account	Recognised in equity / OCI	Balance as at December 31, 2014
----- 'Rupees in '000 -----							
Deferred tax debits arising from:							
Unused tax losses	1,023,300	(3,794)	-	1,019,506	(583,323)	(2,501)	433,682
Provision against investments	72,920	8,105	-	81,025	56,400	-	137,425
Provision against loans and trade debts	245,998	(9,655)	-	236,343	23,037	-	259,380
Minimum tax (note. 14.2)	81,968	78,107	-	160,075	34,073	-	194,148
Unrealized loss on derivative instruments	818	(4,407)	-	(3,589)	87,385	-	83,796
Provision for donation	-	-	-	-	4,639	-	4,639
Provision for Workers' Welfare Fund	-	31,648	-	31,648	(7,521)	-	24,127
	1,425,004	100,004	-	1,525,008	(385,310)	(2,501)	1,137,197
Deferred tax credits arising due to:							
Fixed assets	(152,772)	(30,176)	-	(182,948)	26,734	-	(156,214)
Goodwill	(307,361)	(51,227)	-	(358,588)	(51,507)	-	(410,095)
Unrealized gain of revaluation of investment classified as held for trading	(6,527)	(34,451)	-	(40,978)	(84,435)	-	(125,413)
(Surplus) / deficit on revaluation of investment classified assets as available for sale	(97,640)	-	208,104	110,464	-	(860,196)	(749,732)
	(564,300)	(115,854)	208,104	(472,050)	(109,208)	(860,196)	(1,441,454)
	860,704	(15,850)	208,104	1,052,958	(494,518)	(862,697)	(304,257)

14.2 Adjustability of minimum tax (in future years) is provided under section 113(2)(c) of the Income Tax Ordinance, 2001 (the Ordinance). The said provision provides that the excess of minimum tax over 'actual carried forward for adjustment against tax liability (up to five years). However, during the current year the Sindh High Court (SHC) passed an order against the issue which has arisen where 'actual tax payable for the year is Nil, and whole amount of minimum tax was considered for adjustment in future. The SHC passed an order that 'actual tax payable should be an absolute amount, and cannot be zero or nil; therefore minimum tax paid in such a situation is not eligible for adjustment in future, in terms of section 113(2)(c) of the Ordinance. Aforesaid decision of the SHC has been further appealed, and issue is now subjudiced before the Supreme Court of Pakistan (SCP). Management and its tax advisors are of the opinion that, based on valid legal grounds, favourable outcome is expected. Accordingly, till the finalization of matter at the SCP, the Bank will continue to carry forward the tax paid.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

	Note	2014 Rupees in '000	2013
15. OTHER ASSETS			
Mark-up / income accrued in local currency	15.1	4,804,886	1,302,668
Mark-up / income accrued in foreign currency		39,535	28,501
Trade receivable form brokerage & advisory business - net	15.2 & 15.3	1,060,556	697,202
Advances, deposits, advance rent and other prepayments		412,007	297,171
Taxation (payments less provision)		152,590	77,784
Receivable against bancassurance from related party		17,604	20,935
Stationery and stamps in hand		6,574	3,464
Prepaid exchange risk fee		463	507
Balances due from funds under management		66,463	16,073
Unrealised gain on revaluation of derivative instruments		-	13,958
Receivable from other banks in respect of remittance	15.4	331,905	255,917
Non-banking assets acquired in satisfaction of claims	15.5	141,900	21,823
Others		98,817	82,667
		<u>7,133,300</u>	<u>2,818,670</u>
Less: Provision held against other assets	15.3	<u>(424,924)</u>	<u>(400,850)</u>
		<u>6,708,376</u>	<u>2,417,820</u>
15.1	Included herein an amount of Rs. 39.217 million (2013: 7.842 million) due from related parties.		
15.2	Included herein is a sum of Rs. 0.838 million (2013: Rs. 1.011 million) receivable from related parties.		
15.3 Provision held against other assets			
Opening balance		400,850	399,551
Charged during the year		24,074	1,299
Reversed during the year		-	-
Net Charge		24,074	1,299
Closing balance		<u>424,924</u>	<u>400,850</u>
15.4	This includes an amount of Rs. 284.675 million (2013: 197.115 million) receivable from State Bank of Pakistan in respect of home remittance services provided by the Bank.		
15.5 Non banking assets acquired in satisfaction of claims			
Market value of non-banking assets acquired in satisfaction of claims		<u>200,600</u>	<u>38,419</u>
16. BILLS PAYABLE			
In Pakistan		1,376,150	1,409,681
Outside Pakistan		3,870	5,112
		<u>1,380,020</u>	<u>1,414,793</u>
17. BORROWINGS			
In Pakistan		50,534,741	20,146,703
Outside Pakistan		3,232	4,143
		<u>50,537,973</u>	<u>20,150,846</u>
17.1 Particulars of borrowings with respect to currencies			
In local currency		50,534,741	20,146,703
In foreign currencies		3,232	4,143
		<u>50,537,973</u>	<u>20,150,846</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

	Note	2014	2013
		Rupees in '000	
17.2	Details of borrowings from financial institutions		
	Secured		
	Borrowings from SBP under export refinancing scheme	3,657,927	1,976,100
	Repurchase agreement borrowings	46,876,814	17,180,603
		50,534,741	19,156,703
	Unsecured		
	Call borrowings	-	990,000
	Overdrawn nostro accounts	3,232	4,143
		3,232	994,143
		50,537,973	20,150,846

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 from 6.50% to 8.4% (2013: 8.40%) per annum.

17.2.2 This represents collateralised borrowing against Government Securities carrying mark-up at the rate ranging between 9.70% to 10.30% (2013: 10.00% to 10.50%) per annum and would mature between January 02, 2015 to February 27, 2015 (2013: January 03, 2014).

17.2.3 These represent call money borrowings from financial institutions, carrying interest at the rate of NIL (2013: 9.00%) per annum.

		2014	2013
		Rupees in '000	
18.	DEPOSITS AND OTHER ACCOUNTS		
	Customers		
	Fixed deposits	46,411,555	25,729,940
	Savings deposits	25,558,374	24,082,503
	Current accounts - non-remunerative	27,371,408	22,146,983
	Margin accounts	566,583	484,583
		99,907,920	72,444,009
	Financial Institutions		
	Remunerative deposits	7,440,938	7,515,047
	Non-remunerative deposits	80,980	96,220
		7,521,918	7,611,267
		107,429,838	80,055,276
18.1	Particulars of deposits		
	In local currency	101,923,577	73,909,009
	In foreign currencies	5,506,261	6,146,267
		107,429,838	80,055,276



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

	Note	2014	2013
		Rupees in '000	
19. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency	19.1	1,120,483	548,020
Mark-up / return / interest payable in foreign currency		4,118	13,184
Accrued expenses		453,131	294,254
Trade payable from brokerage business	19.2	641,683	261,169
Securitisation of management fee		-	660
Payable in respect of defined benefit plan	36.5	21,349	1,289
Customer insurance payable		1,128	6,863
Unrealised loss on revaluation of derivative instruments		167,917	-
Unclaimed dividends		10,968	14,552
Donation payable	29.2	45,255	10,000
Lease key money deposit		314,768	115,050
Provision for Workers' Welfare Fund	19.3	152,414	102,151
Government duties	19.4	116,575	60,213
Payable against remittance		270,157	241,611
Retention money payable		11,918	1,737
Payable against maintenance of IT equipment		6,811	2,413
Visa debit card payable		38,218	21,444
Others		155,561	125,666
		3,532,454	1,820,276

19.1 Included herein is a sum of Rs. 17.692 million (2013: Rs. 9.938 million) payable to related parties.

19.2 Included herein is a sum of Rs. 3.684 million (2013: Rs. 17.638 million) payable to related parties.

19.3 Prior to certain amendments made through the Finance Acts of 2006 & 2008, Worker Welfare Fund (WWF) was levied at 2% of the total income assessable under the Income Tax Ordinance, 2001 excluding incomes falling under the Final Tax Regime (FTR). Through Finance Act, 2008, an amendment was made in Section 4(5) of the Workers' Welfare Fund Ordinance, 1971 (the Ordinance) whereby WWF liability is applicable at 2% of the higher of the profit before taxation as per the accounts or declared income as per the return.

Aggrieved by the amendments made through the Finance Act, certain stakeholders filed petition against the changes in the Lahore and Peshawar High Courts, which struck down the aforementioned amendments to the Ordinance in 2011. However, some stakeholders also filed the petition in the Sindh High Court which, in 2013, decided the petition against the stakeholders. The Group has decided to file the petition in the Supreme Court against the changes. Therefore, until the matter is decided, on prudent basis, the Group has recognized aggregate provision as per the Finance Act, 2008.

19.4 Included herein sum of Rs. 53.550 million payable against Federal Excise Duty (FED) on the management fees received/receivable from the funds under management by JS Investments Limited. The amount is being held for payment to Federal Board of Revenue on basis of stay order of the Honorable High Court of Sindh dated September 4, 2013. The stay order was a result of petition filed by asset management companies on the forum of MUFAP against the amendment in Finance Act, 2013 which levied FED on the fees received by asset management companies from funds under management.

20. SHARE CAPITAL

20.1 Authorised capital

2014	2013		2014	2013
Number of shares			Rupees in '000	
<u>1,350,000,000</u>	<u>1,350,000,000</u>	Ordinary shares of Rs.10 each	<u>13,500,000</u>	<u>13,500,000</u>

20.2 Issued, subscribed and paid-up capital

2014	2013		2014	2013
Number of shares			Rupees in '000	
538,558,965	538,558,965	Issued for cash	5,385,590	5,385,590
533,905,297	533,905,297	Issued for consideration other than cash	5,339,053	5,339,053
<u>1,072,464,262</u>	<u>1,072,464,262</u>		<u>10,724,643</u>	<u>10,724,643</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

20.3 As at December 31, 2014, Jahangir Siddiqui Co. Ltd (the parent company) held 755,245,007 ordinary shares of Rs. 10 each (70.42% holding).

21. PREFERENCE SHARES

21.1 Authorised capital

2014	2013		2014	2013
Number of shares		Note	Rupees in '000	
		Convertible preference shares		
<u>150,000,000</u>	<u>-</u>	of Rs.10 each	<u>1,500,000</u>	<u>-</u>

21.2 On February 19, 2014, the Bank has issued 150 million preference shares of Rs. 10 each. As a result of this transaction, the paid-up capital of the Bank has increased by Rs 1.5 billion. The major terms and conditions of the preference shares are as follows:

Instrument: Un-listed, convertible, irredeemable, perpetual, non-cumulative, non-voting preference shares.

Issue Price: Issued at par value of Rs. 10 per shares.

Tenure: Four years from the date of issuance of preference shares.

Conversion ratio: For every one preference share, 1.5 ordinary shares will be issued i.e. 1:1.5

Dividend: Non-cumulative at the fixed rate of 12% per annum. No compensation would be available to the preference shareholders other than the agreed return i.e. 12% p.a. which will be paid in the form of cash dividend. The distribution of dividend is not obligatory and will be allowed only if the Bank has earned sufficient profit in the current year to pay dividend and is in compliance with all the regulatory capital (MCR and CAR) and provisioning requirements.

21.3 As at December 31, 2014, Jahangir Siddiqui Co. Ltd (the parent company) held 145,374,878 preference shares of Rs. 10 each (96.92% holding).

2014	2013
Rupees in '000	
22. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - net of tax	
Available-for-sale securities:	
Term Finance Certificates - listed	(4,428) (54,040)
Ordinary shares - listed	185,775 142,435
Preference shares - listed	- 21,003
Open end mutual funds	675,357 583,787
Foreign currency bonds (US \$)	(79,072) (75,899)
Government securities	2,015,281 (447,059)
	<u>2,792,913</u> 170,227
Related deferred tax (liability) / asset	(749,732) 110,464
	<u>2,043,181</u> 280,691
Group's share	1,724,357 49,433
Non-controlling interest	318,824 231,258
	<u>2,043,181</u> 280,691



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

23. CONTINGENCIES AND COMMITMENTS	Note	2014	2013
		Rupees in '000	
23.1 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		4,733,516	2,520,803
ii) Banking companies and other financial institutions		362,326	210,521
iii) Others		1,387,650	333,832
	23.1.1	<u>6,483,492</u>	<u>3,065,156</u>
23.1.1 Included herein the outstanding amount of Rs. 36.934 million (2013: Rs. 5.612 million) of related parties.			
23.2 Trade-related contingent liabilities			
Documentary credits	23.2.1	<u>7,828,275</u>	<u>4,882,691</u>
23.2.1 Included herein the outstanding amount of Rs. 40.530 million (2013: Nil) of related parties.			
23.3 Other contingencies			
Claims not acknowledged as debts		<u>66,791</u>	<u>66,896</u>
23.4 Commitments in respect of forward lending			
Forward commitments to extend credit		<u>2,420,850</u>	<u>675,700</u>
23.5 Commitments in respect of derivative instruments			
23.5.1 Commitments in respect of forward exchange contracts			
Purchase		<u>6,110,485</u>	<u>6,988,325</u>
Sale		<u>7,142,322</u>	<u>6,485,184</u>
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.			
23.5.2 Forward government and equity securities			
Purchase		<u>834,171</u>	<u>-</u>
Sale		<u>5,426,041</u>	<u>394,964</u>
23.5.3 Cross currency swaps (notional principal)		<u>1,588,850</u>	<u>1,084,500</u>

Derivative instruments, such as Forward Rate Agreement, Interest Rate Swaps, Cross Currency Swaps and FX Options, are forward transactions that provide market making opportunities / hedge against the adverse movement of interest and exchange rates. Derivatives business provides risk solutions for the existing and potential customers of the Bank. All derivative transactions are governed by the Financial Derivatives Business Regulations (FDBR) issued by the State Bank of Pakistan (SBP).

The Bank has entered into a Cross Currency Swap transaction with its customer on back-to-back basis with an Authorized Derivative Dealer (ADD) without carrying any open position in its books. Specific approvals for the transactions have been granted by State Bank of Pakistan. Policies in line with SBP instructions have been formulated and are operative.

The transaction carries credit risk which is the risk that a party to a derivative contract will fail to perform its obligation. There are two types of credit risk associated with derivative transactions; 1) settlement, and 2) pre-settlement risk. Bank's Central Credit Committee is responsible for reviewing and managing associated Counterparty Credit Risks of the transaction.

Accounting policies in respect of derivative financial instruments are described in note 6.4.2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

23.5.3.1 Product Analysis

Counterparties	Cross currency swaps			
	2014		2013	
	Number of contracts	Notional principal Rupees '000	Number of contracts	Notional principal Rupees '000
With Banks for Hedging	-	-	-	-
Market Making	4	1,588,850	2	1,084,500
	<u>4</u>	<u>1,588,850</u>	<u>2</u>	<u>1,084,500</u>

At the exchange rate prevailing at the end of the reporting period.

23.5.3.2 Maturity Analysis

Remaining maturity	2014				
	Number of contracts	Notional principal	Mark to market		
			Negative	Positive	Net
Upto 1 month					
1 to 3 months					
3 to 6 months					
6 month to 1 year					
1 to 2 year					
2 to 3 years	4	1,588,850	(29,346)	36,713	7,367
3 to 5 years					
5 to 10 years					
Above 10 years					

Remaining maturity	2013				
	Number of contracts	Notional principal	Mark to market		
			Negative	Positive	Net
Upto 1 month					
1 to 3 months					
3 to 6 months					
6 month to 1 year					
1 to 2 year					
2 to 3 years	2	1,084,500	(42,738)	46,837	4,099
3 to 5 years					
5 to 10 years					
Above 10 years					

23.6 Other commitments

	2014	2013
	Rupees in '000	
Commitment in respect of capital expenditure	<u>88,872</u>	<u>75,320</u>
Motor vehicle acquired under Ijarah from Bank Islami Limited - related party		
- Due in one year	-	1,209
- Due in two to five years	-	-



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	Note	2014 Rupees in '000	2013
24. MARK-UP / RETURN / INTEREST EARNED			
On loans and advances to:			
Customers		4,983,472	2,738,904
Financial institutions		91,114	42,408
On investments in:			
Available-for-sale securities		4,087,926	2,396,954
Held-for-trading securities		1,528,863	1,522,918
On deposits with financial institutions		3,133	2,373
On securities purchased under resale agreements		559,199	265,998
		<u>11,253,707</u>	<u>6,969,555</u>
25. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		5,504,989	3,832,775
Securities sold under repurchase agreements		1,458,414	453,971
Borrowings		220,866	211,960
Mark-up and other charges of securitisation of management fee receivables		405	13,855
		<u>7,184,674</u>	<u>4,512,561</u>
26. FEE, COMMISSION AND BROKERAGE INCOME			
Advisory fee		142,020	62,391
Brokerage income		331,187	239,921
Trustee fee		6,185	3,295
Management fee		211,313	224,800
Other fees, commission and charges	26.1	758,855	584,726
		<u>1,449,560</u>	<u>1,115,133</u>
26.1	This includes Rs. 71.862 million (2013: Rs. 87.493 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	2014 Rupees in '000	2013
27. GAIN ON SALE OF SECURITIES - net			
Federal Government Securities			
- Market Treasury Bills		16,995	53,626
- Pakistan Investment Bonds		863,289	128,115
- Ijara Sukuk Certificates		180	151
Ordinary shares - listed		260,181	33,289
Term finance certificates		5,956	7,495
Foreign currency bonds		23,716	(3,749)
Mutual fund units / certificates	27.1	381,240	306,466
		<u>1,551,557</u>	<u>525,393</u>

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27.1 Included herein a sum of Rs. 381.24 million (2013: Rs. 290.735 million) representing gain arising on sale of shares / units of a related party.

	Note	2014 Rupees in '000	2013
28. OTHER (LOSS) / INCOME - net			
Unrealised (loss) / gain on revaluation of derivative instruments			
Equity futures		(2,077)	3,704
Forward Government securities - net		(191,267)	-
Forward foreign exchange contracts - net		18,059	6,155
Cross currency swaps - net		7,368	4,099
		<u>(167,917)</u>	<u>13,958</u>
Gain on sale of fixed assets		25,681	46,539
Rental income from properties		16,340	14,860
Others		10,126	66,071
		<u>(115,770)</u>	<u>141,428</u>
29. ADMINISTRATIVE EXPENSES			
Salaries, wages, allowances, etc.		1,734,295	1,374,193
Charge for defined benefit plan	36.5	28,497	14,566
Contribution to defined contribution plan		69,525	57,933
Non-executive directors' fee, allowances and other expenses		3,736	830
Contractor wages		170,417	144,686
Brokerage, fee and commission		47,470	23,285
Royalty	29.1	20,000	20,000
Rent, taxes, insurance, electricity, etc.		732,592	604,354
Legal and professional charges		80,957	32,818
Donations	29.2	45,255	22,546
Communication		74,039	66,770
Ijarah rentals		304	2,234
Repairs and maintenance		454,931	331,229
Travel and other related expenses		45,542	39,589
Stationery and printing		122,275	87,331
Advertisement and publicity		123,318	101,764
Postage and courier service		32,265	21,395
Stamp duty		4,537	9,469
CDC and other charges		6,371	2,423
Bank charges and clearing house charges		69,524	52,802
Consultancy fee		50,394	47,403
Security services		122,656	88,396
Fees and subscription		35,637	40,549
Auditors' remuneration	29.3	7,598	7,263
Depreciation	13.2	358,733	287,486
Amortisation of intangible assets	13.3	35,481	21,475
Impairment of intangible asset	13.3	-	105,000
Staff training		10,158	3,894
Others		45,248	36,154
		<u>4,531,755</u>	<u>3,647,837</u>

29.1 Royalty and advisory fee represents amounts payable to Mr. Jahangir Siddiqui, a related party, on account of use of name and advisory services, respectively

29.2 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.



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	Note	2014 Rupees in '000	2013
29.3 Auditors' remuneration			
Audit fee		2,757	2,790
Half-yearly review		900	1,002
Special certification and sundry advisory services		2,642	2,477
Taxation services		350	350
Out of pocket expenses		949	644
		<u>7,598</u>	<u>7,263</u>
30. OTHER PROVISIONS / WRITE OFFS			
Provision held against other assets		7,684	-
Provision for sales tax on forex and advisory	32.2.2	16,390	-
		<u>24,074</u>	<u>-</u>
31. OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		26,397	544
Provision for Workers' Welfare Fund	19.3 & 31.1	54,100	63,662
		<u>80,497</u>	<u>64,206</u>

31.1 Provision held @ 2% of the higher of profit before tax or taxable income under Workers' Welfare Ordinance, 1971.

32. TAXATION

32.1 Relationship between income tax expense and accounting profit

	Note	2014 Rupees in '000	2013
Accounting profit before taxation		<u>1,898,267</u>	<u>837,764</u>
Tax on income	32.1.1	(920,170)	(462,869)
Effect of permanent differences		149,852	133,201
Adjustments in respect of tax at reduced rates		71,168	151,725
Effect of prior year deferred taxation		(58,423)	(58,376)
Effect of prior year current taxation		52,166	(1,450)
Others		14,689	(2,311)
		<u>(690,718)</u>	<u>(240,080)</u>
Group's share		(621,132)	(194,529)
Non-controlling interest		(69,586)	(45,551)
		<u>(690,718)</u>	<u>(240,080)</u>

32.1.1 The Group has recognised taxation impact on the basis of deemed tax return to be file on applicable tax rate with tax authorities, which are as follows:

	Tax Rate	
	2014	2013
JS Bank Limited	35%	35%
JS Investments Limited	33%	34%
JS Global Capital Limited	33%	34%

32.2 JS Bank Limited (Holding Company, the Bank)

32.2.1 In view of tax losses of the Bank tax provision has been made for minimum taxation @ 1% (2013: 1%) under section 113 of the Income Tax Ordinance, 2001.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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32.2.2 The Bank has filed income tax returns under Section 114 of the Income Tax Ordinance, 2001 for the tax years 2009 through 2014. The said returns so filed were deemed to be assessed in terms of the returns filed under the provisions of prevailing income tax laws as applicable in Pakistan. However, the Officers of Inland Revenue Services (OIR) conducted the proceedings for making certain amendments in the deemed assessments for tax years 2008 to 2013. This was done by taking recourse of conducting tax audit or alternatively a direct amendment in the assessment contending that certain matters in the deemed assessments were not admissible as not conforming to the law and prejudiced the interest of revenue.

Based on the amended assessments, in all the aforementioned years, the department has made certain disallowances of expenses and tax deductible claims besides creating minimum tax and Workers' Welfare Fund liabilities in the tax years 2010 & 2011 and tax years 2009 & 2012 respectively. The Bank has not accepted the amendments and have filed appeals before the Commissioner Inland Revenue-Appeals (the CIRA). With regard to appeals filed for tax year 2011 to 2013, the CIRA has decided the appeals accepting the Bank's contentions in respect of significant issues. Whereas, the contentious matter of levy of workers welfare fund and disallowance of amortization claim of goodwill have been decided in favor of department. The exposures related to WWF and goodwill have already been taken care of in the books of the Bank. However, the Bank is contesting the matters in further appeals before Appellate Tribunal Inland Revenue (ATIR). The Bank has also filed petitions in the High Court of Sindh and has obtained stay against recovery of the aforementioned liabilities.

Further, the appeals for tax years 2008-2010 are pending for hearing before CIRA. In case of tax year 2008, the Bank's main contention is on time limitation applicable on the amendment of the assessment and cannot be carried out and same has already been decided by Honorable Supreme Court of Pakistan in favor of aggrieved person which is identical to Bank's case, therefore there are strong chances that amendment order for tax year 2008 would be time barred and any addition made in that year would have been annulled.

The management of the Bank is confident that the decision in respect of the above matters will be in the Bank's favour and accordingly no demand for payment would arise.

The Bank has commenced its operations in Azad Jammu & Kashmir from tax year 2009 and it has filed separate returns for the tax years 2009 to 2014 with the tax authorities of such region. The Commissioner has issued notice to select the return filed for the Tax Year 2011 for imitating audit proceeding. Proceedings are under progress and ultimate liability cannot be ascertained reasonably at this point of time.

32.3 JS Global Capital Limited (Subsidiary, the Company)

32.3.1 Except for the tax year 2005 and the tax year 2009, income tax assessments have been filed and are deemed to have been assessed under the Income Tax Ordinance, 2001 unless selected by the taxation authorities for audit purposes. Furthermore, monitoring proceedings were initiated for tax years 2013 and 2014 for which no order has been passed, however, all the requested details have been submitted.

For the tax year 2009, the ITRA No. 07/2013 filed by the Commissioner Inland Revenue against the order passed by the Learned Appellate Tribunal Inland Revenue in ITA No. 923/KB/2011 dated August 28, 2011 relating to apportionment of expenses, allowability of expenses and claiming of tax deducted at source amounting to Rs. 61.16 million which is pending for hearing before the Honorable High Court of Sindh at Karachi. The case was fixed for hearing on January 28, 2014 and various other dates during the period but on all dates, the case was discharged for want of time.

32.3.2 Last year, the Company received a show cause notice from the Sindh Revenue Board (SRB) demanding payment of sales tax amounting to Rs. 19.65 million for the period from July 2011 to June 2012 under section 47 of the Sindh Sales Tax on Services Act, 2011. Subsequently an order was passed reducing the demand to Rs. 9.86 million along with default surcharge. The Company filed an appeal against the said order which was decided against the Company. The Company has also filed an appeal before the tribunal which is pending adjudication and no order has been passed in this regard. During the year, the Company paid an amount of Rs. 7.15 million before June 25, 2014 under the notification SRB 3-4/8/2014 to avail the exemption of the penalty and 75% of default surcharge.

Further, during the year, the Company received another show cause notice from SRB demanding payment of sales tax amounting to Rs. 34.69 million for the period from July 2012 to December 2013 under section 47 of Sindh Sales Tax on Services Act, 2011. Subsequently an order was passed reducing the demand to Rs. 10.77 million. The Company has filed an appeal against the order with Commissioner Inland Revenue (Appeals) which is pending. However, the Company has paid an amount of Rs. 9.24 million before June 25, 2014 under the notification SRB 3-4/8/2014 to avail the exemption of the penalty and 75% of default surcharge.

On prudent basis, the Company has made a provision against the amount paid to SRB in these financial statements.



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for the year ended December 31, 2014

32.4 JS Investments Limited (Subsidiary, the Company)

32.4.1 The income tax assessments of the company has been finalized upto and including the assessment year 2002-2003 (financial year ended June 30, 2002). The income tax assessments for the tax years 2003 to 2005, 2007, 2008 and 2010 have been filed under self assessment scheme and are deemed to be finalized under section 120 of the Income Tax ordinance 2001.

In respect of the appeals filed by the company against orders passed for tax year 2006 and 2009 against demand of Rs. 162 million and 66 million respectively, the Commissioner of Inland Revenue has not accepted the basis of addition and set aside both the orders in respect of allocation of expenses between various source of income for devono proceedings with the directions to apportion common expenditure according to actual incurrence of expenditure to the various sources of income.

The company has filed second appeal in Appellate Tribunal Inland Revenue in respect of disallowances. Appeal effect of the CIR (Appeals) order in both the years received as a result the demand were reduced at Rs. 77.33 and Rs. 59.93 million respectively according to actual in currence of expenditure to the various sources of income was not followed. The company again filed appeals before the CIR (Appeals) against the above orders as a result apportionment of expenditure were confirmed however, adjustment of allowable expenses were set aside.

The CIR (Appeals) also rectified the order passed by his predecessor for the Tax Year 2006, whereby the addition regarding the portion of capital gain included in dividend received from mutual funds was held deleted. Resulted appeal effect order reflects refund of Rs. 29 million. The CIR, Zone-IV has filed appel in Appellate Tribunal Inland Revenue in respect of deletion of addition regarding the portion of capital gain included in dividend.

The company has filed an appeal before Honourable Appellate Tribunal, SRB against the Order of Honourable Commissioner (Appeals), SRB in respect of levy of Sindh Sales tax amounting to Rs. 1.288 Million on certain disallowance of input taxes and Rs. 0.054 Million on levy of sales tax on certain heads of income, for the tax periods from July, 2011 to December, 2012. However, the appeal is pending as Honourable Tribunal, SRB is not formed.

Management and tax advisors are confident that good grounds exist to contest these disallowances and other points at appellate forums and these additions cannot be maintainable and eventually outcome will come in favor of the Company. Hence no provisions have been made in the financial statements.

			2014	2013
33.	EARNINGS PER SHARE - BASIC AND DILUTED	Note		
	Profit after taxation for the year - attributable to ordinary equity holders of the Bank for basic and diluted	Rupees in '000 33.1	<u>1,445,843</u>	<u>474,496</u>
	Weighted average number of basic outstanding ordinary shares during the year		<u>1,072,464,262</u>	<u>1,072,464,262</u>
	Weighted average number of diluted outstanding ordinary shares during the year		<u>1,267,258,783</u>	<u>1,072,464,262</u>
	Basic earnings per share	Rupees	<u>1.35</u>	<u>0.44</u>
	Diluted earnings per share	Rupees	<u>1.14</u>	<u>0.44</u>

33.1 As disclosed in note 46, the Board of Directors proposed cash preference dividend of Rs. 155.836 million (2013: Nil) for the preference shareholders. Since it is non-adjusting event in accordance with International Accounting Standard - IAS 10 "Events after the Reporting Period", the basic earnings per share has not been adjusted. However, if the impact of the proposed preference dividend is taken, the basic earnings per share would be decreased by Re. 0.15 (2013: Nil).

			2014	2013
34.	CASH AND CASH EQUIVALENTS	Note		
	Cash and balances with treasury banks		<u>9,041,590</u>	<u>7,775,070</u>
	Balances with other banks		<u>433,697</u>	<u>542,126</u>
	Overdrawn nostro account	17.2	<u>(3,232)</u>	<u>(4,143)</u>
			<u>9,472,055</u>	<u>8,313,053</u>

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	Note	2014	2013
		Numbers	
35. STAFF STRENGTH			
Permanent		1,737	1,493
Temporary / on contractual basis		91	78
Group's own staff strength at the end of the year		1,828	1,571
Third party contract		869	737
		<u>2,697</u>	<u>2,308</u>

36. DEFINED BENEFIT PLAN

36.1 General description

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

The defined benefit is administered by a separate fund that is legally separate from the Bank. The plan is governed by the trust deed dated September 01, 2007. The trustees of the gratuity fund are composed of representatives from employers. The trustees of the gratuity fund are required by the trust deed to act in the interest of the fund and of all relevant stakeholders in the scheme, i.e. active employees, inactive employees, retirees and employers. The trustees of the gratuity fund are responsible for the investment policy with regard to the assets of the fund.

36.2 The plan in Pakistan typically exposes the Bank to actuarial risks such as: salary risk, discount rate risk, mortality risk and investment risk defined as follow:

- Salary increase risk:

This is the risk that the salary at the time of cessation of service is higher than that assumed by us. This is a risk to the Bank because the benefits are based on the final salary; if the final salary is higher than what we've assumed, the benefits will also be higher.

- Discount rate risk

The discount rate is based on the yield on government bonds. If the market yield of bonds varies, the discount rate would vary in the same manner and would affect the present value of obligation and fair value of assets.

- Mortality / withdrawal risk:

This is the risk that the actual mortality/withdrawal experience is different than that assumed by us.

- Investment risk

This is the risk that the assets are underperforming and are not sufficient to meet the liabilities.

- Maturity profile

The weighted average duration of the defined benefit obligation works out to 12.8 years.

36.3 Number of employees under the schemes

The number of employees covered under defined benefit scheme is 1,522 (2013: 1,303).

36.4 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, 2014 based on the Projected Unit Credit Method, using the following significant assumptions:

		2014	2013
Valuation discount rate	per annum	11.25%	12.50%
Expected return on plan assets	per annum	11.25%	12.50%
Future salary increase rate			
Short term	per annum	10.00%	12.50%
Long term	per annum	11.25%	12.50%
Normal retirement age	years	60	60



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36.5 Movement in defined benefit obligations, fair value of plan assets and their components

	Defined benefit obligations		Fair value of plan assets		Net defined benefit liability	
	2014	2013	2014	2013	2014	2013
----- Rupees in (000) -----						
Balance as at January 01,	116,676	91,269	115,387	79,911	1,289	11,358
Included in profit or loss						
Current service cost	28,416	29,816	-	-	28,416	29,816
Interest cost / income	14,478	9,645	14,397	10,488	81	(843)
Curtailment gains	-	(14,407)	-	-	-	(14,407)
	42,894	25,054	14,397	10,488	28,497	14,566
Included in other comprehensive income						
Actuarial gains / losses arising from:						
- demographic assumptions	-	(14,141)	-	-	-	(14,141)
- financial assumptions	(4,734)	520	-	(1,533)	(4,734)	2,053
- Experience adjustments	1,241	14,361	3,655	3,941	(2,414)	10,420
	(3,493)	740	3,655	2,408	(7,148)	(1,668)
Others						
Contribution made during the year	-	-	1,289	22,967	(1,289)	(22,967)
Benefits paid during the year	(1,709)	(387)	(1,709)	(387)	-	-
	(1,709)	(387)	(420)	22,580	(1,289)	(22,967)
Balance as at December 31,	154,368	116,676	133,019	115,387	21,349	1,289

36.6 The fair value of the plan assets at the end of the reporting period for each category, are as follows:

	Note	Fair value of plan assets			
		2014	2013	2014	2013
		Rupees in (000)		Percentage	
Cash and cash equivalent		5,446	41,252	4.1%	35.8%
Government Securities (PIBs)	36.6.1	127,574	74,135	95.9%	64.2%
		133,020	115,387	100%	100%

36.6.1 The fair values of the above securities are determined based on quoted market prices in active markets having a cost of Rs. 122.900 million (2013: 75.400 million). The actual return on plan assets was Rs. 14.397 million (2013: Rs.10.488 million).

36.7 Sensitivity analysis

36.7.1 Expected maturity analysis of undiscounted defined benefit obligation for the gratuity scheme is as follows:

	Up to 1 year	Over 1 to 2 years	Over 2 to 5 years	Over 6 to 10 years	Over 10 years and above	Total
----- Rupees in (000) -----						
Balance as at December 31, 2014	3,624	4,956	21,723	75,813	688,179	794,295

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36.7.2 Significant actuarial assumptions for the determination of the defined obligation are discount rate, and expected rate of salary increase. The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

	Current result	Sensitivity Analysis				
	Discount rate	11.25%	12.25%	10.25%	11.25%	11.25%
Salary rate	11.25%	11.25%	11.25%	12.25%	12.25%	10.25%

December 31, 2014

Present value of defined benefit obligation	154,368	133,544	174,729	170,746	138,854
Fair value of any plan assets	133,019	(130,243)	(135,893)	(133,019)	(133,019)
	<u>287,387</u>	<u>3,301</u>	<u>38,836</u>	<u>37,727</u>	<u>5,835</u>

Furthermore in presenting the above sensitivity analysis, the present value of the define benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in these consolidated statement of financial position.

36.8 The average duration of the benefit obligation at December 31, 2014 is with in one year.

36.9 The Bank expects to make a contribution of Rs. 21.349 million (2013: Rs. 1.289 million) to the defined benefit plans during the next financial year.

36.10 The Bank contributes to the gratuity fund as per actuarial's expected charge for the next financial year. Based on actuarial advice and management estimates, the charge in respect of defined benefit obligation for the next one year works out to be Rs. 46.647 million. The amount of remeasurements to be recognised in other comprehensive income for year ending December 31, 2015 will be worked out as at the next valuation.

37. DEFINED CONTRIBUTION PLAN

The Group operates a contributory provident fund scheme for all permanent employees. The employer and employee both make a contribution of equal amount to the fund as follows:

	Contribution basic salary	Number of employees		Contribution made during the	
	Percentages	2014	2013	2014	2013
		Numbers		Rs. in (000)	
- JS Bank (Holding Company, the Bank)	10%	1,233	1,087	61,087	49,595
- JS Global Capital Limited (Subsidiary, the Company)	10%	105	110	4,785	4,234
- JS Investments Limited (Subsidiary, the Company)	8%	70	77	3,250	4,106

38. 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 and Chief Executive, Non Executive Directors and Executives are as follows:

Note	President & CEO		Directors		Executives	
	2014	2013	2014	2013	2014	2013
	Rupees in '000					
Managerial remuneration	23,015	26,284	-	-	476,952	382,774
Defined contribution plan	1,232	1,348	-	-	51,284	31,468
Charge for defined benefit plan	-	804	-	-	32,396	27,690
Rent and house maintenance	9,094	9,688	-	-	209,792	167,848
Utilities	2,126	1,928	-	-	47,695	38,277
Medical	858	1,283	-	-	8,868	7,408
Conveyance and vehicle maintenance	944	570	-	-	86,034	71,630
Performance bonus	20,000	4,000	-	-	161,663	93,985
Non-executive directors' fee, allowances and other expenses	-	-	3,736	6,396	-	-
	<u>57,269</u>	<u>45,905</u>	<u>3,736</u>	<u>6,396</u>	<u>1,090,966</u>	<u>821,080</u>
Number of persons	38.1	3	13	13	426	343

38.1 The President and Chief Executive Officers and certain executives are also provided with other facilities, including free use of the Bank and/or Company maintained cars.

38.2 In last year, the remuneration of the President includes the remuneration of the outgoing President of the Bank. The new President was appointed with effect from July 03, 2013.

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39. 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.

40. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	2014							Total
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Payment and settlement	Brokerage	Asset Management	
Total income - external	88,795	7,486,357	2,618,725	3,118,233	155,672	795,211	508,646	14,830,634
Inter-segment revenues - net	-	(3,831,606)	4,300,867	(469,261)	-	-	-	-
Total income	88,795	3,654,751	6,919,592	2,648,972	155,672	795,211	508,646	14,830,634
Total expenses	(4,692)	(1,722,400)	(6,716,655)	(2,391,720)	(60,266)	(308,273)	(223,810)	(11,796,926)
Provisions for the year	-	(161,144)	(19,012)	(638,622)	-	(16,390)	398,130	(444,722)
Current Taxation	-	-	-	-	-	-	(248,366)	(248,366)
Prior year charge	-	-	-	-	-	-	52,166	52,166
Deferred tax	-	-	-	-	-	-	(494,519)	(494,519)
Net income / (loss)	84,103	1,771,207	183,925	(381,370)	95,406	470,548	682,966	1,898,267
Attributable to:								
Equity holders of the Bank	-	10.7	11.6	11.3	-	-	-	-
Non-controlling interest	-	10.0	5.5	8.5	-	-	-	-
Segment assets (gross)	-	100,838,809	27,961,546	38,892,979	-	2,704,065	2,975,323	182,901,911
Segment non performing assets	-	545,603	119,049	2,693,568	-	740,519	317,957	4,427,557
Segment total provisions	-	(392,644)	(63,872)	(1,994,946)	-	(740,519)	(317,957)	(3,520,799)
Segment liabilities	-	46,880,046	73,008,285	38,096,985	1,380,020	622,352	168,032	163,184,541
Segment return on net assets (ROA) (%)	-	10.7	11.6	11.3	-	-	-	-
Segment cost of funds (%)	-	10.0	5.5	8.5	-	-	-	-
	2013							Total
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Payment and settlement	Brokerage	Asset Management	
Total income - external	66,299	5,051,876	1,094,391	1,818,417	167,053	511,677	817,292	9,566,882
Inter-segment revenues - net	-	(3,424,538)	3,669,938	(245,400)	-	-	-	-
Total income	66,299	1,627,338	4,764,329	1,573,017	167,053	511,677	817,292	9,566,882
Total expenses	(4,205)	(912,597)	(4,812,301)	(1,498,614)	(49,861)	(306,201)	(353,908)	(8,160,942)
(Provisions) / reversal for the year	-	(23,156)	(17,169)	(412,763)	-	(43,015)	231,669	(328,096)
Current Taxation	-	-	-	-	-	-	-	(222,780)
Deferred tax	-	-	-	-	-	-	-	(15,850)
Net income / (loss)	62,094	691,585	(65,141)	(338,360)	117,192	162,461	695,053	839,214
Attributable to:								
Equity holders of the Bank	-	-	-	-	-	-	-	-
Non-controlling interest	-	-	-	-	-	-	-	-
Segment assets (gross)	-	62,527,245	13,572,509	21,557,671	-	2,766,490	2,645,529	117,821,659
Segment non performing assets	-	371,451	102,892	2,655,486	-	724,132	716,086	4,570,047
Segment total provisions	-	(231,500)	(44,861)	(1,356,321)	-	(724,132)	(716,086)	(3,072,900)
Segment liabilities	-	18,174,746	61,293,743	20,737,631	1,414,793	344,172	158,182	103,441,191
Segment return on net assets (ROA) (%)	-	9.2	11.7	11.2	-	-	-	-
Segment cost of funds (%)	-	8.3	5.4	8.1	-	-	-	-

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41. 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	
	2014	2013	2014	2013	2014	2013
----- Rupees in '000 -----						
Advances						
Opening balance	170,572	94,071	1,533,221	1,378,039	1,703,793	1,472,110
Disbursements	194,945	107,594	3,502,467	3,388,554	3,697,412	3,496,148
Repayments	(111,717)	(31,093)	(3,234,705)	(3,233,372)	(3,346,422)	(3,264,465)
Balance as at December 31	<u>253,800</u>	<u>170,572</u>	<u>1,800,983</u>	<u>1,533,221</u>	<u>2,054,783</u>	<u>1,703,793</u>
Mark-up / return / interest earned	<u>13,156</u>	<u>9,268</u>	<u>123,384</u>	<u>119,183</u>	<u>136,540</u>	<u>128,451</u>

	Ultimate Parent		Key management personnel		Other related parties		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
----- Rupees in '000 -----								
Deposits								
Opening balance	1,557,270	2,002,829	23,012	16,731	5,955,347	4,387,067	7,535,629	6,406,627
Deposits during the year	3,479,843	8,779,869	1,027,652	492,958	69,970,700	59,790,860	74,474,195	69,063,687
Withdrawals during the year	(4,884,671)	(9,225,428)	(1,007,603)	(486,677)	(70,667,935)	(58,222,580)	(76,560,209)	(67,934,685)
Balance as at December 31	<u>152,442</u>	<u>1,557,270</u>	<u>43,061</u>	<u>23,012</u>	<u>5,258,112</u>	<u>5,955,347</u>	<u>5,453,615</u>	<u>7,535,629</u>
Mark-up / return / interest expensed	<u>43,163</u>	<u>128,915</u>	<u>1,336</u>	<u>1,252</u>	<u>279,277</u>	<u>328,914</u>	<u>323,776</u>	<u>459,081</u>



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The related party status of outstanding receivables and payables as at December 31, 2014 is included in respective notes to the financial statements. Material transactions with related parties are given below:

Nature of transactions	Companies having common directorship		Companies in which parent company holds 20% or more		Other related parties		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	Rupees in '000							
Purchase of Term Finance Certificates	-	-	-	-	-	42,640	-	42,640
Sale of Government Securities	3,081,561	358,073	77,827,864	101,496,606	3,237,689	1,894,752	84,147,114	103,749,431
Purchase of Government Securities	287,325	-	35,582,421	16,444,151	1,498,848	396,367	37,368,594	16,840,518
Sale of Sukuk / Ijara	-	-	-	113,667	-	-	-	113,667
Sale of shares / Units	-	-	-	-	4,124,047	982,063	4,124,047	982,063
Purchase of shares / Units	-	-	-	-	3,493,716	170,000	3,493,716	170,000
Issuance of Preference Shares	-	-	-	-	12,257	-	12,257	-
Call borrowing / Repo	-	-	-	16,650,000	-	-	-	16,650,000
Purchase of forward foreign exchange contracts	-	-	-	6,442,565	-	-	-	6,442,565
Sale of forward foreign exchange contracts	-	-	-	9,360,124	-	-	-	9,360,124
Letter of credits	4,829	-	35,702	-	-	-	40,531	-
Letter of guarantees	584	516	-	-	36,280	5,097	36,864	5,613
Payment to staff benefit plan	-	-	-	-	1,289	22,967	1,289	22,967
Payment to staff contribution plan	-	-	-	-	69,120	57,890	69,120	57,890
Remuneration of key management personnel	-	-	-	-	236,942	218,933	236,942	218,933
Director fees and allowances	-	-	-	-	3,071	6,903	3,071	6,903
Insurance claim received	14,271	5,050	-	-	-	-	14,271	5,050
Markup income	-	-	-	-	-	49,849	-	49,849
Markup expense	-	-	-	5,478	-	-	-	5,478
Rent received / receivables	-	-	-	-	-	497	-	497
Reimbursement of expenses	726	161	-	-	15,504	10,821	16,230	10,982
Expenses incurred on behalf	622	143	-	-	13,079	66,351	13,701	66,494
Payment of insurance premium	44,333	44,998	18,293	11,004	3,012	2,968	65,638	58,970
Services rendered	-	-	-	-	-	8,655	-	8,655
Rent and other expense paid / accrued	-	-	-	2,234	399	1,330	399	3,564
Commission income	9	103,830	67,657	1,829	16,088	8,511	83,754	114,170
Dividend income	-	-	-	-	-	276,660	-	276,660
Consultancy fee	-	-	-	-	18,000	18,000	18,000	18,000
Royalty	-	-	-	-	20,000	20,000	20,000	20,000
Remunerative income	-	-	-	-	201,675	222,739	201,675	222,739

Parent company

2014 2013

Rupees in '000

Nature of transactions	2014	2013
Issuance of Preference Shares	1,453,749	-
Sale of Government Securities	736,641	2,484,725
Purchase of Government Securities	223,915	-
Purchase of term finance certificate	25,000	-
Markup income	2,164	-
Rent expense paid / accrued	43,240	1,065
Expenses incurred on behalf	64	65
Reimbursement of expenses	4,718	3,524
Underwriting commission in preference shares	3,056	5,546

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42. CAPITAL ASSESSMENT AND ADEQUACY

42.1 Scope of Application

SBP Capital Adequacy Frameworks (Basel II and III) are applicable to JS Bank Limited on standalone basis as well as on Consolidated basis by consolidating its partly owned subsidiaries - JS Global Capital Limited and JS Investments Limited, Subsidiaries are included while calculating Consolidated Capital Adequacy for the Bank using full consolidation method. Standardized Approach is used for calculating the Capital Adequacy for Credit and Market risk, whereas, Basic Indicator Approach (BIA) is used for Operational Risk Capital Adequacy purposes.

42.2 Capital Structure- Basel III

Bank's regulatory capital is analyzed into two tiers:

Tier I capital (going concern capital) Which comprises of:

- a. Common equity Tier I 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 and other intangible assets and deficit on revaluation of available for sale investments due to insufficiency of Additional Tier I and Tier II to cover deductions.
- b. Additional Tier I which includes Instruments issued in the form of perpetual non-cumulative preference shares by the banks, share premium resulting from the issuance of the instruments after deduction of goodwill and other intangible assets, deficit on revaluation of available for sale investments and deferred tax assets.

Tier II capital (gone concern or supplementary capital) , which includes general provision for loan losses (up to maximum of 1.25% of risk weighted assets), reserve on the revaluation of fixed assets ,equity investments and foreign exchange translation reserve and subordinated debt.

42.3 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 (MCR) and Capital Adequacy Ratio (CAR)

The State Bank of Pakistan (SBP) through its BSD Circular no. 7 dated April 15, 2009 require Banks / Development Finance Institutions (DFIs) to raise and maintain their paid up capital (net of losses) equivalent to Rs.10 billion. The paid-up capital (free of losses) of the Bank as at December 31, 2014 stood at Rs.10.119 billion including un-listed, convertible, irredeemable, perpetual, non-cumulative, non-voting preference shares of Rs. 1.5 billion. In addition banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 10% of their risk weighted exposure. The Bank's CAR as at 31 December 2014 was stood at 16.73% of its risk weighted assets.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Basel III transition

The Basel III instructions issued by SBP has been adopted by the banks as per the phase-in arrangements prescribed by SBP, starting from December 31, 2013, with full implementation of capital ratios by the year-end 2019. During the transition period banks shall maintain the required capital ratios in following manner;

Phase-in Arrangement and Full implementation of the minimum capital requirements

Sr	Ratio	Year End						As of Dec 31
		2013	2014	2015	2016	2017	2018	2019
1	CET1	5.0%	5.5%	6.0%	6.0%	6.0%	6.0%	6.0%
2	ADT-1	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
3	Tier 1	6.5%	7.0%	7.5%	7.5%	7.5%	7.5%	7.5%
4	Total Capital	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
5	CCB (Consisting of CET1 only)	-	-	0.25%	0.65%	1.275%	1.900%	2.5%
6	Total Capital plus CCB	10.0%	10.0%	10.25%	10.65%	11.275%	11.90%	12.5%

The Phase in arrangement for regulatory capital adjustment required under Basel III Instructions has started from December 31, 2014 at 20 percent per annum with full deduction from CET1 to take effect from December 2018. During the transition period, the part which is not deducted from CET1/ Additional Tier 1/ Tier 2 will attract existing treatment. The regulatory Capital Deductions are mostly applied at the level of common equity tier 1. In this regard, following is the transitional arrangement as prescribed by SBP;

Phase-in of all deductions from CET1 (in percentage terms)	Year End						As of Dec 31
	2012	2013	2014	2015	2016	2017	2018
	-	-	20%	40%	60%	80%	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

42.4 Capital Adequacy Ratio (CAR) disclosure :

CAPITAL ADEQUACY RETURN AS OF DECEMBER 31, 2014

		Rupees in '000	
		2014	2013
		Amount	Amount
Common Equity Tier 1 capital (CET1): Instruments and reserves			
1	Fully Paid-up Capital/ Capital deposited with SBP	10,724,643	10,724,643
2	Balance in Share Premium Account	-	-
3	Reserve for issue of Bonus Shares	-	-
4	Discount on Issue of shares	(2,105,401)	(2,105,401)
5	General/ Statutory Reserves	513,706	301,698
6	Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
7	Unappropriated/unremitted profits/ (losses)	1,384,998	239,766
8	Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	1,720,195	1,866,171
9	CET 1 before Regulatory Adjustments	12,238,141	11,026,877
10	Total Regulatory Adjustments applied to CET1 (Note 42.4.1)	1,937,349	1,832,838
11	Common Equity Tier 1	10,300,792	9,194,039
Additional Tier 1 (AT 1) Capital			
12	Qualifying Additional Tier 1 Capital instruments plus any related share premium		
13	of which: Classified as equity	1,500,000	-
14	of which: Classified as liabilities		-
15	Additional Tier 1 Capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)	8,490	
16	of which: instrument issued by subsidiaries subject to phase out		
17	AT1 before Regulatory Adjustments	1,508,490	-
18	Total Regulatory Adjustment applied to AT1 capital (Note 42.4.2)	307,202	143,105
19	Additional Tier 1 Capital after Regulatory Adjustments	1,201,288	-
20	Additional Tier 1 Capital recognized for Capital Adequacy	1,201,288	-
21	Tier 1 Capital (CET1 + Admissible AT1) (11+20)	11,502,080	9,194,039
Tier 2 Capital			
22	Qualifying Tier 2 capital instruments under Basel III plus any related share premium		
23	Tier 2 capital instruments subject to phaseout arrangement issued under pre-Basel 3 rules		
24	Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group Tier 2)	16,960	
25	of which: instruments issued by subsidiaries subject to phase out		
26	General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	7,784	2,990
27	Revaluation Reserves (net of taxes)		
28	of which: Revaluation reserves on fixed assets		
29	of which: Unrealized gains/losses on AFS	1,144,181	76,602
30	Foreign Exchange Translation Reserves		
31	Undisclosed/Other Reserves (if any)		
32	T2 before Regulatory Adjustments	1,168,925	79,592
33	Total Regulatory Adjustment applied to T2 Capital (Note 42.4.3)	104,714	-
34	Tier 2 Capital (T2) after Regulatory Adjustments	1,064,211	79,592
35	Tier 2 Capital recognized for Capital Adequacy	1,064,211	79,592
36	Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
37	Total Tier 2 Capital Admissible for Capital Adequacy	1,064,211	79,592
38	TOTAL CAPITAL (T1 + admissible T2) (21+37)	12,566,292	9,273,631
39	Total Risk Weighted Assets (RWA) {for details refer Note 42.7}	75,128,227	48,885,770
Capital Ratios and buffers (in percentage of risk weighted assets)			
40	CET1 to total RWA	13.71%	18.81%
41	Tier 1 capital to total RWA	15.31%	18.81%
42	Total capital to total RWA	16.73%	18.97%
43	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	10.00%	12.50%
44	of which: capital conservation buffer requirement	0.00%	2.50%
45	of which: countercyclical buffer requirement	0.00%	0.00%
46	of which: D-SIB or G-SIB buffer requirement	0.00%	0.00%
47	CET1 available to meet buffers (as a percentage of risk weighted assets)	13.71%	18.81%
National Minimum Capital Requirements prescribed by SBP			
48	CET1 minimum ratio	5.50%	5.00%
49	Tier 1 minimum ratio	7.00%	6.50%
50	Total capital minimum ratio	10.00%	10.00%



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		2014		2013
		Rupees in '000		
Regulatory Adjustments and Additional Information		Amount	Amounts subject to Pre- Basel III treatment	Amount
Note 42.4.1	Common Equity Tier 1 Capital: Regulatory Adjustments			
1	Goodwill (net of related deferred tax liability)	1,463,624		1,463,624
2	All other intangibles (net of any associated deferred tax liability)	285,993		226,109
3	Shortfall in provisions against classified assets	-		
4	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	80,284	321,138	
5	Defined-benefit pension fund net assets	-		
6	Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	-		
7	Cash flow hedge reserve	-		
8	Investment in own shares/ CET1 instruments	-		
9	Securitization gain on sale	-		
10	Capital shortfall of regulated subsidiaries	-		
11	Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-		-
12	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	26,533	106,130	
13	Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-		-
14	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-		
15	Amount exceeding 15% threshold	-		
16	of which: significant investments in the common stocks of financial entities	-		
17	of which: deferred tax assets arising from temporary differences	-		
18	National specific Regulatory Adjustments applied to CET1 capital	80,915		-
19	Investments in TFCs of other banks exceeding the prescribed limit	80,915		-
20	Any other deduction specified by SBP (mention details)	-		
21	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-		143,105
22	Total Regulatory Adjustments applied to CET1 (sum of 1 to 21)	1,937,349		1,832,838
Note 42.4.2	Additional Tier 1 & Tier 1 Capital: Regulatory Adjustments			
23	Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	307,202		143,105
24	Investment in own AT1 capital instruments	-		
25	Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	-		
26	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-		
27	Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-		
28	Portion of deduction applied 50:50 to Tier 1 and Tier 2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional Tier 1 capital	-		-
29	Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-		-
30	Total Regulatory Adjustment applied to AT1 Capital (sum of 23 to 29)	307,202		143,105
Note 42.4.3	Tier 2 Capital: Regulatory Adjustments			
31	Portion of deduction applied 50:50 to Tier 1 and Tier 2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier 2 Capital	-		-
32	Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-		
33	Investment in own Tier 2 capital instrument	-		
34	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	104,714	418,856	
35	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-		
36	Total Regulatory Adjustment applied to T2 Capital (sum of 31 to 35)	104,714		-

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Note 42.4.4	Additional Information	2014		2013	
		Rupees in '000			
		Amount		Amount	
	Risk Weighted Assets subject to pre-Basel III treatment				
37	Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)				
(i)	of which: deferred tax assets	321,138		872,226	
(ii)	of which: Defined-benefit pension fund net assets	-			
(iii)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	1,110,079		-	
(iv)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-		-	
	Amounts below the thresholds for deduction (before risk weighting)				
38	Non-significant investments in the capital of other financial entities	1,522,599		683,614	
39	Significant investments in the common stock of financial entities	-		70,268	
40	Deferred tax assets arising from temporary differences (net of related tax liability)	-			
	Applicable caps on the inclusion of provisions in Tier 2				
41	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	-			
42	Cap on inclusion of provisions in Tier 2 under standardized approach	-			
43	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-			
44	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-			

42.5 Capital Structure Reconciliation

Step : 1

	As Per Balance Sheet	Under regulatory scope of consolidation
	December 31, 2014	
	Rupees in '000	
Assets		
Cash and balances with treasury banks	9,041,590	9,041,590
Balances with other banks	433,697	433,697
Lending to financial institutions	16,807,304	16,807,304
Investments	85,761,502	85,761,502
Advances	56,715,791	56,715,791
Operating fixed assets	2,163,234	2,163,234
Deferred tax assets	-	-
Other assets	8,457,993	8,457,993
Total Assets	179,381,111	179,381,111
Liabilities & Equity		
Bills payable	1,380,020	1,380,020
Borrowings	50,537,973	50,537,973
Deposits and other accounts	107,429,838	107,429,838
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	304,257	304,257
Other liabilities	3,532,454	3,532,454
Total Liabilities	163,184,542	163,184,542
Share capital/ Head office capital account	10,119,242	10,119,242
Reserves	513,706	513,706
Unappropriated/ Unremitted profit/ (losses)	1,384,998	1,384,998
Minority Interest	2,135,442	2,135,442
Surplus on revaluation of assets	2,043,181	2,043,181
Total Equity	16,196,569	16,196,569
Total Liabilities & Equity	179,381,111	179,381,111



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Step : 2

	As Per Balance Sheet	Under regulatory scope of consolidation	Reference
	December 31, 2014		
	Rupees in '000		
Assets			
Cash and balances with treasury banks	9,041,590	9,041,590	
Balances with other banks	433,697	433,697	
Lending to financial institutions	16,807,304	16,807,304	
Investments	85,761,502	85,761,502	
<i>of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold</i>	104,714	104,714	a
<i>of which: significant capital investments in financial sector entities exceeding regulatory threshold</i>	-	-	b
<i>of which: Mutual Funds exceeding regulatory threshold</i>	307,202	307,202	c
<i>of which: reciprocal crossholding of capital instrument</i>	-	-	d
<i>of which: Investment in TFCs of other banks exceeding the prescribed limit</i>	80,915	80,915	e
Advances	56,715,791	56,715,791	
<i>shortfall in provisions/ excess of total EL amount over eligible provisions under IRB</i>	-	-	f
<i>general provisions reflected in Tier 2 capital</i>	7,784	7,784	g
Fixed Assets	2,163,234	2,163,234	
Deferred Tax Assets	-	-	
<i>of which: DTAs excluding those arising from temporary differences</i>	-	-	h
<i>of which: DTAs arising from temporary differences exceeding regulatory threshold</i>	-	-	i
Other assets	8,457,993	8,457,993	
<i>of which: Goodwill</i>	1,463,624	1,463,624	j
<i>of which: Intangibles</i>	285,993	285,993	k
<i>of which: Defined-benefit pension fund net assets</i>	-	-	l
Total Assets	179,381,111	179,381,111	
Liabilities & Equity			
Bills payable	1,380,020	1,380,020	
Borrowings	50,537,973	50,537,973	
Deposits and other accounts	107,429,838	107,429,838	
Sub-ordinated loans	-	-	
<i>of which: eligible for inclusion in AT1</i>	-	-	m
<i>of which: eligible for inclusion in Tier 2</i>	-	-	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	304,257	304,257	
<i>of which: DTLs related to goodwill</i>	-	-	o
<i>of which: DTLs related to intangible assets</i>	-	-	p
<i>of which: DTLs related to defined pension fund net assets</i>	-	-	q
<i>of which: other deferred tax liabilities</i>	-	-	r
Other liabilities	3,532,454	3,532,454	
Total Liabilities	163,184,542	163,184,542	
Share capital	10,119,242	10,119,242	
<i>of which: amount eligible for CET1</i>	10,119,242	10,119,242	s
<i>of which: amount eligible for AT1</i>	-	-	t
Reserves	513,706	513,706	
<i>of which: portion eligible for inclusion in CET1 (provide breakup)</i>	513,706	513,706	u
<i>of which: portion eligible for inclusion in Tier 2</i>	-	-	v
Unappropriated profit/(losses)	1,384,998	1,384,998	w
Minority Interest	2,135,442	2,135,442	
<i>of which: portion eligible for inclusion in CET1</i>	1,720,195	1,720,195	x
<i>of which: portion eligible for inclusion in AT1</i>	8,490	8,490	y
<i>of which: portion eligible for inclusion in Tier 2</i>	16,960	16,960	z
Surplus on revaluation of assets	2,043,181	2,043,181	
<i>of which: Revaluation reserves on Property</i>	-	-	aa
<i>of which: Unrealized Gains/Losses on AFS</i>	-	-	
<i>In case of Deficit on revaluation (deduction from CET1)</i>	-	-	ab
Total Liabilities & Equity	179,381,111	179,381,111	

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<u>Step : 3</u>	Component of regulatory capital reported by bank (Rupees in '000)	Reference
Common Equity Tier 1 Capital (CET1): Instruments and Reserves		
1 Fully Paid-up Capital/ Capital deposited with SBP	10,724,643	(s)
2 Balance in Share Premium Account	-	
3 Reserve for issue of Bonus Shares	-	
4 Discount on issue of Shares (enter negative number)	(2,105,401)	
5 General/ Statutory Reserves	513,706	(u)
6 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
7 Unappropriated/unremitted profits/(losses)	1,384,998	(w)
8 Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	1,720,195	(x)
	12,238,141	
CET 1 before Regulatory Adjustments		
Common Equity Tier 1 Capital: Regulatory Adjustments		
9 Goodwill (net of related deferred tax liability)	1,463,624	(j) - (o)
10 All other intangibles (net of any associated deferred tax liability)	285,993	(k) - (p)
11 Shortfall of provisions against classified assets	-	(f)
12 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	80,284	{(h) - (r)} * x%
13 Defined-benefit pension fund net assets	-	{(l) - (q)} * x%
14 Reciprocal cross holdings in CET1 capital instruments	-	(d)
15 Cash flow hedge reserve	-	
16 Investment in own shares/ CET1 instruments	-	
17 Securitization gain on sale	-	
18 Capital shortfall of regulated subsidiaries	-	
19 Deficit on account of revaluation from bank's holdings of property/ AFS	-	(ab)
20 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	26,533	(a) - (ac) - (ae)
21 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	(b) - (ad) - (af)
22 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	(i)
23 Amount exceeding 15% threshold	-	
24 of which: significant investments in the common stocks of financial entities	-	
25 of which: deferred tax assets arising from temporary differences	-	
26 National specific Regulatory Adjustments applied to CET1 capital	80,915	
27 Investment in TFCs of other banks exceeding the prescribed limit	80,915	
28 Any other deduction specified by SBP (mention details)	-	
29 Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	
30 Total Regulatory Adjustments applied to CET1 (sum of 9 to 25)	1,937,349	
31 Common Equity Tier 1	10,300,792	



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for the year ended December 31, 2014

	Component of regulatory capital reported by bank (Rupees in '000)	Reference
Additional Tier 1 (AT 1) Capital		
32 Qualifying Additional Tier 1 instruments plus any related share premium	1,500,000	
33 of which: Classified as equity	1,500,000	(t)
34 of which: Classified as liabilities	-	(m)
35 Additional Tier 1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	8,490	(y)
36 of which: instrument issued by subsidiaries subject to phase out	-	
37 AT1 before Regulatory Adjustments	1,508,490	
Additional Tier 1 Capital: Regulatory Adjustments		
38 Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	307,202	
39 Investment in own AT1 capital instruments	-	
40 Reciprocal cross holdings in Additional Tier 1 capital instruments	-	
41 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ac)
42 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(ad)
43 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier 1 capital	-	
44 Regulatory Adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
45 Total of Regulatory Adjustment applied to AT1 Capital	307,202	
46 Additional Tier 1 Capital	1,201,288	
47 Additional Tier 1 capital recognized for Capital Adequacy	1,201,288	
48 Tier 1 Capital (CET1 + Admissible AT1)	11,502,080	
Tier 2 Capital		
49 Qualifying Tier 2 capital instruments under Basel III	-	
50 Capital instruments subject to phase out arrangement from Tier 2 (Pre-Basel III instruments)	-	(n)
51 Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group Tier 2)	16,960	(z)
52 of which: instruments issued by subsidiaries subject to phase out	-	
53 General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	7,784	(g)
54 Revaluation Reserves eligible for Tier 2	1,144,181	
55 of which: portion pertaining to Property	-	
56 of which: portion pertaining to AFS securities	1,144,181	portion of (aa)
57 Foreign Exchange Translation Reserves	-	(v)
58 Undisclosed/Other Reserves (if any)	-	
59 T2 before Regulatory Adjustments	1,168,925	

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	Component of regulatory capital reported by bank (Rupees in '000)	Reference
Tier 2 Capital: Regulatory Adjustments		
60	-	
61	-	
62	-	
63	-	
63	104,714	(ae)
64	-	(af)
65	104,714	
66	1,064,211	
67	1,064,211	
68	-	
69	1,064,211	
70	12,566,292	



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42.6 Main Features of Regulatory Capital Instruments

	Main Features	Common Shares	Preference Shares
1	Issuer	JS Bank	JS Bank
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	JSB	JSB
3	Governing law(s) of the instrument	SECP	SECP
4	Regulatory treatment		
5	Transitional Basel III rules	Common Equity Tier 1	Additional Tier 1
6	Post-transitional Basel III rules	Common Equity Tier 1	Additional Tier 1
7	Eligible at solo/ group/ group & solo	Solo and Group	Solo and Group
8	Instrument type	Ordinary Shares	Preference Shares
9	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	8,619,242	1,500,000
10	Par value of instrument	10	10
11	Accounting classification	Shareholders Equity	Shareholders Equity
12	Original date of issuance	2006	2014
13	Perpetual or dated	No Maturity	NA
14	Original maturity date	NA	NA
15	Issuer call subject to prior supervisory approval	No	No
16	Optional call date, contingent call dates and redemption amount	NA	NA
17	Subsequent call dates, if applicable	NA	NA
18	Coupons / dividends	NA	Dividends
19	Fixed or floating dividend/ coupon	NA	Fixed
20	Coupon rate and any related index/ benchmark	NA	NA
21	Existence of a dividend stopper	NA	NA
22	Fully discretionary, partially discretionary or mandatory	NA	NA
23	Existence of step up or other incentive to redeem	NA	NA
24	Noncumulative or cumulative	NA	Non-Cumulative
25	Convertible or non-convertible	NA	Convertible
26	If convertible, conversion trigger (s)	NA	NA
27	If convertible, fully or partially	NA	Fully
28	If convertible, conversion rate	NA	1:1.5
29	If convertible, mandatory or optional conversion	NA	Mandatory
30	If convertible, specify instrument type convertible into	NA	Ordinary Shares
31	If convertible, specify issuer of instrument it converts into	NA	NA
32	Write-down feature	NA	NA
33	If write-down, write-down trigger(s)	NA	NA
34	If write-down, full or partial	NA	NA
35	If write-down, permanent or temporary	NA	NA
36	If temporary write-down, description of write-up mechanism	NA	NA
37	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	NA	NA
38	Non-compliant transitioned features	NA	NA
39	If yes, specify non-compliant features	NA	NA

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for the year ended December 31, 2014

42.7 Capital Adequacy

	Capital Requirements		Risk Weighted Assets	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
	Rupees in '000			
Credit Risk				
Portfolios subject to standardized approach (Simple or Comprehensive)				
On balance sheet				
Corporate	3,577,338	2,142,185	35,773,377	21,421,853
Retail	327,197	198,897	3,271,972	1,988,972
Banks and DFIs	154,429	291,607	1,544,292	2,916,069
Public sector entity	23,374	19,330	233,743	193,302
Sovereign (include GoP and SBP)	-	-	-	-
Residential mortgage finance	32,817	25,824	328,174	258,241
Past due loans	70,296	154,394	702,959	1,543,943
Fixed assets	216,323	206,105	2,163,234	2,061,051
Other assets	121,061	180,552	1,210,607	1,805,524
	4,522,836	3,218,894	45,228,358	32,188,955
Off balance sheet				
Non market related	810,221	257,655	8,102,211	2,576,551
Market related	19,174	11,944	191,740	119,438
	829,395	269,599	8,293,951	2,695,989
Equity Exposure Risk in the Banking Book				
Listed	41,210	155,790	412,097	1,557,899
Unlisted	87,992	16,354	879,922	163,538
	129,202	172,144	1,292,019	1,721,437
Total Credit Risk	5,481,433	3,660,637	54,814,328	36,606,381
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	430,791	44,435	4,307,915	555,438
Equity position risk etc.	629,091	367,919	6,290,906	4,598,985
Foreign exchange risk	8,810	16,280	88,098	203,502
Total Market Risk	1,068,692	428,634	10,686,919	5,357,925
Operational Risk				
Capital Requirement for operational risks	475,004	553,717	9,626,980	6,921,463
TOTAL	7,025,129	4,642,988	75,128,227	48,885,770
Capital Adequacy Ratio				
	Required	Actual	Required	Actual
CET1 to total RWA	5.50%	13.71%	5.00%	18.81%
Tier 1 capital to total RWA	7.00%	15.31%	6.50%	18.81%
Total capital to total RWA	10.00%	16.73%	10.00%	18.97%



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43. 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 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.

Risk management framework 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) as well as Central Credit Committee (CCC). IRMC oversees the overall risk management at the Bank and provide guidance in setting strategic targets as well as concentration limits and monitor progress related to earnings growth, keeping in view the capital constraints and also adhere to the concentration limits. The IRMC monitors 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. Whereas, Central Credit Committee (CCC) is entrusted with the responsibility of monitoring lending risk profile of the Bank. CCC meets regularly to actively supervise credit risk across its lending portfolio.
- 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 Risk Management Committee (BRMC);
- Integrated Risk Management Committee (IRMC) which comprises of the president / chief executive officer, group head operations, group head credit and risk management, business heads, and other functional heads.
- Asset - Liability Committee which comprises of the president / chief executive officer, chief operating officer, treasurer, group head risk management, other business heads.
- Central Credit Committee comprising of the president / CEO, group head credit and 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 credit and risk management to supervise the following divisions:

- a) Credit Risk Management (CRM) covering corporate / commercial and retail banking risks
- b) Operational risk management
- c) Market risk management
- d) Treasury middle office

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e) Basel II / III Implementation Unit

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.

43.1 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) and 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.



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43.1.1 Segmental Information

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

43.1.1.1 Segment by class of business

	2014					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent %	Rupees in '000	Percent %	Rupees in '000	Percent %
Mining and quarrying	56,354	0.10	140,969	0.13	521,109	1.37
Textile and Glass	8,466,792	14.41	561,645	0.52	715,002	1.88
Chemical and pharmaceuticals	3,501,811	5.96	633,295	0.59	407,050	1.07
Fertilizer and pesticides	1,419,306	2.41	546,982	0.51	1,249,796	3.29
Automobile and transportation equipment	1,191,384	2.03	902,617	0.84	721,655	1.90
Electronics and electrical appliances	356,357	0.61	952,084	0.89	21,444	0.06
Construction and real estate	930,940	1.58	2,014,274	1.87	567,357	1.49
Power and water, Oil and Gas	948,085	1.61	2,044,984	1.90	1,335,802	3.52
Metal and steel	1,242,633	2.11	-	-	174,125	0.46
Paper / board / furniture	234,193	0.40	88,577	0.08	225,218	0.59
Food / confectionery / beverages	19,403,063	33.02	1,207,253	1.12	487,318	1.28
Trust and non-profit organisations	98,207	0.17	22,979,369	21.39	43,674	0.11
Sole proprietorships	1,615,832	2.75	31,908,876	29.70	2,973,741	7.83
Transport, storage and communication	1,353,475	2.30	2,264,672	2.11	247,504	0.65
Financial	-	-	6,372,209	5.93	21,722,520	57.18
Insurance and Security	11,427	0.02	2,675,546	2.49	36,569	0.10
Engineering, IT and other services	5,542,113	9.43	5,597,403	5.21	341,217	0.90
Sugar	2,933,129	4.99	119,872	0.11	278,767	0.73
Individuals	4,152,085	7.06	23,083,203	21.49	132,569	0.35
Others	5,317,424	9.04	3,336,008	3.12	5,787,712	15.24
	58,774,610	100	107,429,838	100	37,990,149	100

	2013					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent %	Rupees in '000	Percent %	Rupees in '000	Percent %
Mining and quarrying	56,922	0.16	126,619	0.16	7,621	0.03
Textile and Glass	7,002,166	19.91	536,390	0.67	2,090,968	8.81
Chemical and pharmaceuticals	840,200	2.39	642,051	0.80	1,077,791	4.54
Fertilizer and pesticides	1,449,468	4.12	301,686	0.38	451,012	1.90
Automobile and transportation equipment	763,255	2.17	760,437	0.95	91,792	0.39
Electronics and electrical appliances	247,275	0.70	60,460	0.08	154,624	0.65
Construction and real estate	117,018	0.33	2,728,633	3.41	769,683	3.24
Power and water, Oil and Gas	200,005	0.57	2,499,109	3.12	1,231,764	5.19
Metal and steel	681,492	1.94	-	-	319,364	1.35
Paper / board / furniture	471,934	1.34	78,663	0.10	178,401	0.75
Food / confectionery / beverages	10,487,851	29.82	158,562	0.20	416,321	1.75
Trust and non-profit organisations	-	-	14,149,525	17.67	12,093	0.05
Sole proprietorships	356,195	1.01	30,367,305	37.93	12,609	0.05
Transport, storage and communication	986,718	2.81	2,653,851	3.32	483,099	2.04
Financial	1,066,039	3.03	5,842,628	7.30	15,009,280	63.25
Insurance and Security	-	-	2,466,575	3.08	13,140	0.06
Engineering, IT and other services	2,006,264	5.70	1,588,687	1.98	197,778	0.83
Sugar	1,421,329	4.04	45,007	0.06	15,210	0.06
Individuals	3,267,750	9.29	11,539,094	14.41	490,208	2.07
Others	3,748,312	10.67	3,509,994	4.38	707,187	2.99
	35,170,193	100	80,055,276	100	23,729,945	100

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43.1.1.2 Segment by sector

	2014					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent %	Rupees in '000	Percent %	Rupees in '000	Percent %
Public / Government	13,998,818	23.82	19,512,772	18.16	-	-
Private	44,775,792	76.18	87,917,066	81.84	37,990,149	100
	<u>58,774,610</u>	<u>100</u>	<u>107,429,838</u>	<u>100</u>	<u>37,990,149</u>	<u>100</u>
	2013					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent %	Rupees in '000	Percent %	Rupees in '000	Percent %
Public / Government	7,000,000	19.90	4,831,673	6.04	-	-
Private	28,170,193	80.10	75,223,603	93.96	23,729,945	100
	<u>35,170,193</u>	<u>100</u>	<u>80,055,276</u>	<u>100</u>	<u>23,729,945</u>	<u>100</u>

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

	2014		2013	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	Rupees in '000			
Textile	781,153	660,870	671,119	533,381
Automobile and transportation equipment	71,858	61,875	109,773	100,621
Chemical and pharmaceutical	-	-	-	-
Food / confectionery / beverages	122,807	116,653	122,807	89,469
Transport, storage and communication	-	-	-	-
Engineering, IT and other services	185,575	185,575	-	-
Paper / board / furniture	-	-	22,000	9,713
Fertilizer and pesticides	1,035,420	740,469	1,034,879	262,491
Services	67,233	12,235	185,575	155,163
Individuals	253,400	67,440	257,373	10,724
Other	295,171	205,918	354,851	236,633
	<u>2,812,617</u>	<u>2,051,035</u>	<u>2,758,377</u>	<u>1,398,195</u>

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

Public / Government	-	-	-	-
Private	2,812,617	2,051,035	2,758,377	1,398,195
	<u>2,812,617</u>	<u>2,051,035</u>	<u>2,758,377</u>	<u>1,398,195</u>

43.1.1.5 Geographical segment analysis

	2014		2013	
	Total asset employed	Net asset employed	Total asset employed	Net asset employed
Rupees in '000				
Pakistan	179,138,111	16,196,569	114,748,759	11,307,568
	2014		2013	
	Profit before taxation	Contingencies and commitments	Profit before taxation	Net Contingencies and commitments
Rupees in '000				
Pakistan	2,588,985	37,990,149	1,077,844	23,729,945



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43.1.2 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	-	-	-	-	-

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:

Mapping to SBP Rating Grades

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

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	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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43.1.2.1 Credit exposures and comparative figures subject to the standardised approach

Exposures	Rating category No.	Rating risk weighted	2014		Risk weighted asset	
			Amount outstanding	Deduction CRM		
			Net amount			
----- Rupees in '000 -----						
Cash and Cash Equivalents		0%	2,364,595	-	2,364,595	-
Corporate	0	0%	-	14,764,431	14,764,431	-
	1	20%	3,305,215	310,991	3,616,206	723,241
	2	50%	944,003	(9)	943,994	471,997
	3,4	100%	833,629	-	833,629	833,629
	5,6	150%	-	-	-	-
	Unrated	100%	44,406,432	(14,870,603)	29,535,829	29,535,829
	Unrated-2	115%	3,864,532	(204,810)	3,659,722	4,208,681
			53,353,811	-	53,353,811	35,773,377
Retail		0%	-	675,421	675,421	-
		20%	-	26,569	26,569	5,314
		50%	-	-	-	-
		75%	5,057,534	(701,990)	4,355,544	3,266,658
			5,057,534	-	5,057,534	3,271,972
Banks						
- Over 3 Months		0%	-	2,601,417	2,601,417	-
	1	20%	692,821	-	692,821	138,564
	2,3	50%	4,507,722	(2,601,417)	1,906,305	953,152
	4,5	100%	56,842	-	56,842	56,842
	6	150%	-	-	-	-
	Unrated	50%	124,651	-	124,651	62,326
			5,382,036	-	5,382,036	1,210,884
- Maturity Upto and under 3 Months in FCY		0%	-	-	-	-
	1,2,3	20%	447,211	-	447,211	89,442
	4,5	50%	12,029	-	12,029	6,015
	6	150%	54,276	-	54,276	81,414
	unrated	20%	51,849	-	51,849	10,370
			565,365	-	565,365	187,241
- Maturity Upto and under 3 Months in PKR		0%	-	10,757,973	10,757,973	-
		20%	11,488,807	(10,757,973)	730,834	146,167
			11,488,807	-	11,488,807	146,167
Residential Mortgage Finance		35%	937,640	-	937,640	328,174



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Exposures	Rating category No.	Rating risk weighted	2014		
			Amount outstanding	Deduction CRM	Risk weighted asset
----- Rupees in '000 -----					
Public Sector Entity		0%			
	1	20%	862,559	-	172,512
	2,3	50%	-	-	-
	4,5	100%	-	-	-
	6	150%	-	-	-
	Unrated	50%	122,462	-	61,231
			985,021	-	233,743
Sovereigns (SBP / GoP)		0%	63,954,770	-	-
Equity Investments - Listed		100%	412,097	-	412,097
- Unlisted		150%	586,615	-	879,922
Significant Investment and DTA		250%	-	-	-
			998,712	-	1,292,019
Past Due Loans (Not Secured by Residential Mortgages)	S.P less than 20%	150%	194,552	-	291,829
	S.P between 20% to 50%	100%	255,229	-	255,229
	S.P more than 50%	50%	311,801	-	155,901
			761,582	-	702,959
Investment in fixed assets		100%	2,163,234	-	2,163,234
Other assets		100%	1,210,607	-	1,210,607
Total			149,223,714	-	46,520,377

* Credit Risk Mitigation (CRM)

Credit exposures subject to Standardised approach

Exposures	Rating category No.	Rating risk weighted	2013		
			Amount outstanding	Deduction CRM	Risk weighted asset
----- Rupees in '000 -----					
Cash and Cash Equivalents		0%	1,900,674	-	-
Corporate	0	0%	-	7,059,298	-
	1	20%	1,317,484	10,950	265,687
	2	50%	487,563	-	243,780
	3,4	100%	962,794	-	962,794
	5,6	150%	944,390	-	1,416,585
	Unrated	100%	25,603,254	(7,070,248)	18,533,006
			29,315,485	-	21,421,852
Retail		0%	-	789,291	-
		20%	-	8,998	1,800
		50%	-	-	-
		75%	3,447,851	(798,289)	1,987,171
			3,447,851	-	1,988,971
Banks					
- Maturity over 3 Months		0%	-	2,279,667	-
	1	20%	690,039	-	138,008
	2,3	50%	4,680,661	(2,279,667)	1,200,497
	4,5	100%	199,800	-	199,800
	6	150%	-	-	-
	Unrated	50%	195,146	-	97,573
			5,765,646	-	1,635,878

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Exposures	Rating category No.	Rating risk weighted	2013		Risk weighted asset
			Amount outstanding	Deduction CRM	
----- Rupees in '000 -----					
- Maturity Upto and under 3 Months in FCY		0%	-	-	-
	1,2,3	20%	684,653	-	684,653
	4,5	50%	-	-	-
	6	150%	54,478	-	54,478
	unrated	20%	157,297	-	157,297
			896,429	-	896,429
- Maturity upto and under 3 months in PKR		0%	-	10,390,823	10,390,823
		20%	15,541,245	(10,390,823)	5,150,422
			15,541,245	-	15,541,245
Residential Mortgage Finance		35%	737,832	-	737,832
Public Sector Entity					
		0%			
	1	20%	838,201	-	838,201
	2,3	50%	-	-	-
	4,5	100%	-	-	-
	6	150%	-	-	-
	Unrated	50%	51,323	-	51,323
			889,524	-	889,524
Sovereigns (SBP / GoP)		0%	18,739,492	-	18,739,492
Equity Investments - Listed		100%	1,557,899	-	1,557,899
- Unlisted		150%	109,026	-	163,538
			1,666,925	-	1,721,437
Past Due Loans (Not Secured by Residential Mortgages)					
	S.P less than 20%	150%	629,934	-	629,934
	S.P between 20% to 50%	100%	467,878	-	467,878
	S.P more than 50%	50%	262,329	-	262,329
			1,360,141	-	1,543,942
Investment in fixed assets		100%	2,061,051	-	2,061,051
Other assets		100%	1,805,524	-	1,805,524
Total			84,127,819	-	84,127,819
* Credit Risk Mitigation (CRM)					

43.1.3 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.

43.2 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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43.3 Market risk

43.3.1 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 its trading book.

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.

43.3.2 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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2014				
Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure	
----- Rupees in '000 -----				
Pakistan Rupee	172,868,707	157,698,039	1,090,344	16,261,012
United States Dollar	6,070,410	4,486,025	(1,665,751)	(81,366)
Great Britain Pound	275,974	667,659	384,917	(6,768)
Euro	146,299	332,350	194,030	7,979
Other currencies	19,721	469	(3,540)	15,712
	<u>6,512,404</u>	<u>5,486,503</u>	<u>(1,090,344)</u>	<u>(64,443)</u>
	<u>179,381,111</u>	<u>163,184,542</u>	<u>-</u>	<u>16,196,569</u>

2013				
Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure	
----- Rupees in '000 -----				
Pakistan Rupee	109,194,071	97,239,452	(503,141)	11,451,478
United States Dollar	5,009,786	4,772,299	(438,414)	(200,927)
Great Britain Pound	170,073	746,921	592,668	15,820
Euro	320,378	680,323	359,032	(913)
Other currencies	54,451	2,196	(10,145)	42,110
	<u>5,554,688</u>	<u>6,201,739</u>	<u>503,141</u>	<u>(143,910)</u>
	<u>114,748,759</u>	<u>103,441,191</u>	<u>-</u>	<u>11,307,568</u>

43.3.3 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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43.3.4 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.

		2014										Non-interest bearing financial instrument
		Rupees in '000										
Effective 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		
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	9,041,590	807,860	-	-	-	-	-	-	-	-	-	8,233,730
Balances with other banks	433,697	66,076	-	-	-	-	-	-	-	-	-	367,621
Lendings to financial institutions	16,807,304	6,492,037	5,767,833	2,347,434	1,700,000	500,000	-	-	-	-	-	-
Investments	85,761,502	3,824,565	21,377,959	288,024	113,498	19,792,651	25,765,883	6,598,912	3,788,788	-	-	4,211,222
Advances	56,715,791	36,304,476	8,066,916	8,204,895	544,850	579,520	281,491	1,036,964	55,587	877,357	-	761,735
Other assets	6,147,432	-	-	-	-	-	-	-	-	-	-	6,147,432
	174,907,316	47,495,014	35,212,708	10,840,353	2,358,348	20,872,171	26,047,374	7,637,876	3,844,375	877,357	-	19,721,740
Liabilities												
Bills payable	1,380,020	-	-	-	-	-	-	-	-	-	-	1,380,020
Borrowings	50,537,973	41,942,046	6,438,467	2,157,460	-	-	-	-	-	-	-	-
Deposits and other accounts	107,429,838	42,938,601	9,239,130	19,918,303	7,197,358	78,919	5,620	32,625	-	-	-	28,019,262
Other liabilities	3,350,658	-	-	-	-	-	-	-	-	-	-	3,350,658
	162,698,489	84,880,647	15,677,597	22,075,763	7,197,358	78,919	5,620	32,625	-	-	-	32,749,960
On-balance sheet financial instruments	12,208,827	(37,385,633)	19,535,111	(11,235,410)	(4,839,010)	20,793,252	26,041,754	7,605,251	3,844,375	877,357	-	(13,028,220)
Commitments in respect of forward purchase contracts and commitment to extend credits	10,159,931	3,525,687	3,877,673	1,420,036	542,110	542,250	252,175	-	-	-	-	-
Commitments in respect of forward sale contracts	(13,362,789)	(9,674,781)	(2,274,933)	(618,650)	-	(542,250)	(252,175)	-	-	-	-	-
Off-balance sheet gap	(3,202,858)	(6,149,094)	1,602,740	801,386	542,110	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap	(43,534,727)	(43,534,727)	21,137,851	(10,434,024)	(4,296,900)	20,793,252	26,041,754	7,605,251	3,844,375	877,357	-	(13,028,220)
Cumulative yield / interest risk sensitivity gap	(43,534,727)	(22,396,876)	(32,830,900)	(37,127,800)	(43,534,727)	(16,334,548)	9,707,548	17,312,457	21,156,832	22,034,189	-	-

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Effective yield interest rate - %	2013										Non-interest bearing financial instrument	
	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											
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	7,775,070	993,134	-	-	-	-	-	-	-	-	-	6,781,936
Balances with other banks	542,126	67,960	-	-	-	-	-	-	-	-	-	474,166
Lendings to financial institutions	21,585,799	20,952,466	633,333	3,429,829	25,172	2,658,241	2,984,299	3,761,250	2,397,914	-	-	4,588,473
Investments	43,855,194	13,284,721	13,708,144	446,980	461,411	86,211	74,035	175,649	44,173	690,003	-	1,357,192
Advances	33,769,008	23,815,562	4,623,674	2,441,098	-	-	-	-	-	-	-	2,028,640
Other assets	2,028,640	-	-	-	-	-	-	-	-	-	-	15,230,407
	109,555,837	59,113,843	18,331,818	3,521,411	486,583	2,744,452	3,058,334	3,936,899	2,442,087	690,003	-	-
Liabilities												
Bills payable	1,414,793	-	-	-	-	-	-	-	-	-	-	1,414,793
Borrowings	20,150,846	18,334,746	837,500	978,600	-	-	-	-	-	-	-	-
Deposits and other accounts	80,055,276	42,941,212	7,134,679	3,429,829	3,678,858	17,848	119,219	5,600	-	-	-	22,728,031
Other liabilities	1,779,845	58,457	-	-	-	-	-	-	-	-	-	1,721,388
	103,400,760	61,334,415	7,972,179	4,408,429	3,678,858	17,848	119,219	5,600	-	-	-	25,864,212
	6,155,077	(2,220,572)	10,359,639	(887,018)	(3,192,275)	2,726,604	2,939,115	3,931,299	2,442,087	690,003	-	(10,633,805)
On-balance sheet financial instruments												
Commitments in respect of forward purchase contracts and commitment to extend credits	7,027,435	3,427,201	2,346,901	711,083	-	-	542,250	-	-	-	-	-
Commitments in respect of forward sale contracts	(7,530,575)	(4,958,405)	(1,619,025)	(410,895)	-	-	(542,250)	-	-	-	-	-
Off-balance sheet gap	(503,140)	(1,531,204)	727,876	300,188	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap												
	(503,140)	(3,751,776)	11,087,515	(586,830)	(3,192,275)	2,726,604	2,939,115	3,931,299	2,442,087	690,003	-	(10,633,805)
Cumulative yield / interest risk sensitivity gap												
	(3,751,776)	(3,751,776)	7,335,739	6,748,909	3,556,634	6,283,238	9,222,353	13,153,652	15,595,739	16,285,742	-	-
Reconciliation to total assets												
Balance as per balance sheet	179,381,111	114,748,759										
Less: Non financial assets												
Operating fixed assets	3,912,851	3,750,764										
Deferred tax assets	-	1,052,958										
Other assets	560,944	389,180										
	4,473,795	5,192,922										
	174,907,316	109,555,837										
Reconciliation to total liabilities												
Balance as per balance sheet	163,184,542	103,441,191										
Less: Non financial liabilities												
Other liabilities	181,796	40,431										
Deferred tax liabilities - net	486,053	40,431										
	162,698,489	103,400,760										



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43.4 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.

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

	2014									
	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
Assets										
Cash and balances with treasury banks	9,041,590	-	-	-	-	-	-	-	-	-
Balances with other banks	433,697	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	16,807,304	5,718,993	1,151,792	2,437,585	753,910	205,353	-	-	-	-
Investments	85,761,502	5,116,129	83,986	2,611,528	20,115,088	25,941,962	7,166,126	3,970,267	-	-
Advances	56,715,791	34,394,759	6,074,143	3,478,803	1,472,957	1,238,894	2,070,486	258,266	895,462	-
Operating fixed assets	3,912,851	55,628	107,492	212,081	389,312	311,178	380,110	328,748	1,968,044	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	6,708,376	62,699	66,584	223,823	19,127	-	-	-	-	-
	179,381,111	61,824,637	7,483,997	8,963,820	22,750,394	27,697,387	9,709,702	4,557,281	2,863,506	-
Liabilities										
Bills payable	1,380,020	-	-	-	-	-	-	-	-	-
Borrowings	50,537,973	6,438,467	2,157,460	-	-	-	-	-	-	-
Deposits and other accounts	107,429,838	9,239,130	19,918,303	7,197,358	78,919	5,620	32,625	-	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	304,257	-	-	-	-	-	-	-	-	-
Other liabilities	3,532,454	21,349	-	-	-	304,257	314,768	-	-	33,035
	163,184,542	117,443,251	15,698,946	7,197,358	78,919	309,877	347,393	4,557,281	33,035	-
Net assets	16,196,569	(55,618,614)	(14,591,766)	1,766,462	22,671,475	27,387,510	9,362,309	4,557,281	2,830,471	-
Share capital	10,724,643	-	-	-	-	-	-	-	-	-
Discount on issue of shares	(2,105,401)	-	-	-	-	-	-	-	-	-
Preference Shares	1,500,000	-	-	-	-	-	-	-	-	-
Statutory reserves	513,706	-	-	-	-	-	-	-	-	-
Unappropriated profit	1,384,998	-	-	-	-	-	-	-	-	-
Non-controlling interest	2,135,442	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net	2,043,181	-	-	-	-	-	-	-	-	-
	16,196,569	-	-	-	-	-	-	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

		2013									
		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	7,775,070	-	-	-	-	-	-	-	-	-	
Balances with other banks	542,126	-	-	-	-	-	-	-	-	-	
Lendings to financial institutions	18,020,284	50,706	284,422	202,292	2,855,076	105,811	67,208	-	-	-	
Investments - net	43,855,194	13,020,402	147,509	221,478	3,067,336	3,293,394	3,988,700	2,732,365	1,956,618	-	
Advances - net	33,769,008	24,223,213	2,366,462	511,043	857,192	742,540	421,160	62,585	690,003	-	
Operating fixed assets	3,750,784	337,013	86,656	166,308	320,169	281,505	1,052,958	258,865	1,897,368	-	
Deferred tax assets - net	1,052,958	-	-	-	-	-	-	-	-	-	
Other assets	2,417,820	1,874,209	209,325	197,085	87,632	2,059	-	-	-	-	
	114,748,759	67,896,959	17,350,442	1,298,206	7,187,405	4,425,309	5,898,261	3,053,815	4,543,989	-	
Liabilities											
Bills payable	1,414,793	-	-	-	-	-	-	-	-	-	
Borrowings	20,150,846	18,334,746	978,600	-	-	-	-	-	-	-	
Deposits and other accounts	80,055,276	65,669,243	3,429,829	3,678,858	17,848	119,219	5,600	-	-	-	
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-	
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	
Other liabilities	1,820,276	1,703,310	1,916	-	-	-	115,050	-	-	-	
	103,441,191	87,122,092	7,974,095	3,678,858	17,848	119,219	120,650	-	-	-	
Net assets	11,307,568	(19,225,133)	9,376,347	(2,380,652)	7,169,557	4,306,090	5,777,611	3,053,815	4,543,989	-	
Share capital	10,724,643	-	-	-	-	-	-	-	-	-	
Discount on issue of right shares	(2,105,401)	-	-	-	-	-	-	-	-	-	
Preference Shares	-	-	-	-	-	-	-	-	-	-	
Statutory reserves	301,698	-	-	-	-	-	-	-	-	-	
Unappropriated profit	239,766	-	-	-	-	-	-	-	-	-	
Non-controlling interest	1,866,171	-	-	-	-	-	-	-	-	-	
Surplus on revaluation of assets - net	280,691	-	-	-	-	-	-	-	-	-	
	11,307,568	-	-	-	-	-	-	-	-	-	



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

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

	2014									
	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
Assets										
Cash and balances with treasury banks	9,041,590	-	-	-	-	-	-	-	-	-
Balances with other banks	433,697	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	6,379,813	6,026,389	1,548,846	1,800,013	753,910	205,353	92,980	-	-	-
Investments - net	5,116,129	20,756,416	83,986	2,611,528	20,115,088	25,941,962	7,166,126	3,970,267	-	-
Advances - net	9,371,574	14,531,545	14,965,270	11,969,485	1,472,957	1,180,746	2,070,486	258,266	895,462	-
Operating fixed assets	55,628	160,258	107,492	212,081	389,312	311,178	380,110	328,748	1,968,044	-
Deferred tax assets - net	6,336,143	62,699	66,584	223,823	19,127	-	-	-	-	-
Other assets	36,734,574	41,537,307	16,772,178	16,816,930	22,750,394	27,639,239	9,709,702	4,557,281	2,863,506	-
Liabilities										
Bills payable	1,380,020	-	-	-	-	-	-	-	-	-
Borrowings	50,537,973	6,438,467	2,157,460	-	-	-	-	-	-	-
Deposits and other accounts	107,429,838	9,239,130	19,918,303	7,197,358	78,919	5,620	32,625	-	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	304,257	-	-	-	-	-	-	-	-	-
Other liabilities	3,532,454	21,349	-	-	-	304,257	314,768	-	-	33,035
Net assets	163,184,542	117,443,251	22,075,763	7,197,358	78,919	309,877	347,393	-	33,035	-
Share capital	10,724,643	(80,708,677)	25,838,361	9,619,572	22,671,475	27,329,362	9,362,309	4,557,281	2,830,471	-
Discount on issue of shares	(2,105,401)	-	-	-	-	-	-	-	-	-
Preference Shares	1,500,000	-	-	-	-	-	-	-	-	-
Statutory reserves	513,706	-	-	-	-	-	-	-	-	-
Unappropriated profit	1,384,998	-	-	-	-	-	-	-	-	-
Non-controlling interest	2,135,442	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net	2,043,181	-	-	-	-	-	-	-	-	-
	16,196,569									

To identify the behavioral maturities of non-contractual assets and liabilities, the Bank has used the following methodology:

-For determining the core portion of non contractual liabilities (non-volatile portion), the bank has used the Average method whereby average balance maintained over past five year has been classified as core and has been placed in the farthest maturity bucket. Non contractual assets and remaining volatile portion of non contractual liabilities have been stratified in relevant maturity bucket using bucket wise percentages determined by 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 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years
Weighted average	5%	5%	5%	4%	6%	12%	10%	53%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

	2013							Above 10 years
	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	
Assets								
Cash and balances with treasury banks	7,775,070	-	-	-	-	-	-	-
Balances with other banks	542,126	50,706	-	-	-	-	-	-
Lending to financial institutions	18,020,284	13,020,402	284,422	202,292	2,855,076	105,811	-	-
Investments - net	43,855,194	15,427,392	147,509	221,478	3,067,336	3,293,394	67,208	-
Advances - net	33,769,008	3,894,810	2,366,462	511,043	857,192	742,940	3,988,700	2,732,365
Operating fixed assets	3,750,784	337,013	86,656	166,308	320,169	281,505	421,160	62,585
Deferred tax assets - net	1,052,958	-	-	-	-	-	368,235	258,865
Other assets	2,417,820	47,511	209,325	197,085	87,632	2,059	1,052,958	-
	114,748,759	17,350,442	3,094,374	1,298,206	7,187,405	4,425,309	5,898,261	3,053,815
Liabilities								
Bills payable	1,414,793	-	-	-	-	-	-	-
Borrowings	20,150,846	837,500	978,600	-	-	-	-	-
Deposits and other accounts	80,055,276	7,134,679	3,429,829	3,678,858	17,848	119,219	5,600	-
Sub-ordinated loans	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-
Other liabilities	1,820,276	1,916	-	-	-	-	115,050	-
	103,441,191	7,974,095	4,408,429	3,678,858	17,848	119,219	120,650	-
	11,307,568	9,376,347	(1,314,055)	(2,380,652)	7,169,657	4,306,090	5,777,611	3,053,815
Net assets								
Share capital	10,724,643							
Discount on issue of right shares	(2,105,401)							
Statutory reserves	301,698							
Unappropriated profit	239,766							
Non-controlling interest	1,866,171							
Surplus on revaluation of assets - net	280,691							
	11,307,568							

	Upto 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
Weighted average	12%	15%	15%	11%	4%	43%	



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2014

43.4 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 (ORM) Unit. 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.

In order to maintain a robust operational risk monitoring mechanism compliant with regulatory requirements, an operational risk management committee has been constituted to effectively address operational risk issues.

The Bank has implemented a comprehensive "Operational Risk Management Framework" which has also been approved by the Board of Directors. The purpose of bank-wide Operational Risk Management Framework is aimed at laying out clearly defined roles and responsibilities of individuals/units across different functions of The Bank that are 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 or a support function. This Framework has been devised to explain the various building blocks of the Operational Risk Management processes, and their inter-relationships. The framework also captures both qualitative and quantitative guidelines for managing and quantifying operational risks across The Bank.

The ORM Unit conducts operational risk profiling for all major operational areas of the Bank and assists various functions of the Bank in developing Key Risk Indicators (KRIs) which are monitored against predefined thresholds. Findings from KRIs are used as predictive indicators of potential operational risks.

Operational Risk 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.

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. The resilience of BCP is tested and rehearsed on an annual basis by The Bank.

44. RECLASSIFICATION

Corresponding figures have been re-arranged and re-classified to reflect more appropriate presentation of events and transactions for the purpose of comparison, which as follows:

Description	Rupees in (000)	Reclassified	
		From	To
i) Provision for Workers' Welfare Fund	63,662	Other provisions / write offs	Other charges
ii) Unrealised gain on revaluation of derivative instruments	10,254	Income from dealing in foreign currencies	Other (loss) / income

45. GENERAL

45.1 These consolidated financial statements have been prepared in accordance with the revised forms of annual financial statements of the banks issued by the State Bank of Pakistan through its BSD Circular No. 04 dated February 17, 2006.

45.2 The figures in these consolidated financial statements have been rounded off to the nearest thousand.

46. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors have proposed cash preference dividend @ 12% (2013 : Nil) amounting to Rs. 155.836 million (2013: Nil) in their meeting held on February 24, 2015. This appropriation will be approved in the forthcoming Annual General Meeting.

47. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorized for issue by the Board of Directors of the Bank in their meeting held on February 24, 2015.

Chairman

President and Chief Executive Officer

Director

Director

Annexure I

As at December 31, 2014

As referred to in notes 13.3.1 to the consolidated financial statements

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	Gain	Mode of disposal	Buyers' particulars and relationship with Bank (if any)	
	----- Rupees in '000 -----							
Vehicles								
Honda Civic	1,893	1,010	883	1,350	467	Negotiation	Name: Wasim Mirza CNIC: 44204-4438942-7 Address: House No 292 Shahdadpur	
Toyota Corolla	1,414	1,273	141	1,046	905	Negotiation	Name: Saqib Arooj Hasmi CNIC: 35202-5444033-9 Address: House No.4 Zam Zama street Choubregy Lahore	
Mercedes Benz	6,325	6,325	-	2,955	2,955	Negotiation	Name: Suhail Najam Kidwai CNIC: 42301-4571088-7 Address: House no.104/1 3rd Commercial Street DHA Phase VI	
Toyota Corolla	1,319	1,319	-	891	891	Negotiation	Name: Islam Khan CNIC: 42101-2000001-7 Address: House No E-92 Block 9 North Nazimabad	
Toyota Corolla	1,529	790	739	1,529	790	Negotiation	Name: EFU General Insurance Limited - related party, Address: 1st Floor Kashif Centre Main Shahra-e-faisal Karachi	
Honda Civic	2,326	426	1,900	2,000	100	Negotiation	Name: EFU General Insurance Limited - related party, Address: 1st Floor Kashif Centre Main Shahra-e-faisal Karachi	
Honda Civic	1,859	1,859	-	1,188	1,188	Negotiation	Name: Humair Uddin CNIC: 42101-4992858-7 Address: House No D-64 Block 4 F B Area Karachi	
Suzuki Cultus	856	499	357	761	404	Negotiation	Name: Asim Mumtaz CNIC: 35202-6560898-7 Address: House No 393 Block B II Johar Town Lahore	
Toyota Corolla	1,319	1,319	-	845	845	Negotiation	Name: Khurram Mehmood CNIC: 422017-920676-1 Address: House No B-125 Zainab Arcade Khalid Bin Waleed Road Karachi	
Toyota Corolla	1,384	1,292	92	942	850	Negotiation	Name: Sultan Hassan CNIC: 42101-1926350-5 Address: House No 908/12 F B Area Karachi	
Toyota Corolla	1,529	968	561	1,152	591	Negotiation	Name: Khurram Mehmood CNIC: 422017-920676-1 Address: House No B-125 Zainab Arcade Khalid Bin Waleed Road Karachi	
Toyota Corolla	1,529	968	561	1,242	681	Negotiation	Name: Zahid Qadri CNIC: 42101-1674749-5 Address: House No 15-A-4 R-536 Buffer Zone Karachi	
Balance c/f	23,282	18,048	5,234	15,901	10,667			



Annexure I

As at December 31, 2014

As referred to in notes 12.2.2 to the consolidated financial statements

	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain	Mode of disposal	Buyers' particulars and relationship with Bank (if any)
----- Rupees in '000 -----							
Balance b/f	23,282	18,048	5,234	15,901	10,667		
Toyota Corolla	1,529	968	561	1,450	889	Negotiation	Name: EFU General Insurance Limited - related party, Address: 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Toyota Corolla	1,389	1,389	-	1,300	1,300	Negotiation	Name: EFU General Insurance Limited - related party, Address: 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Toyota Corolla	1,608	697	911	1,525	614	Insurance Claim	Name: EFU General Insurance Limited - related party, Address: 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Toyota Corolla	1,701	1,701	-	903	903	Negotiation	Name: Mr. Ali Shayan CNIC: 42101-8854313-7 Address: House # C-51, Mohallah Federal B.Area, Block -4, Karachi
Honda Civic	1,278	1,278	-	877	877	Negotiation	Name: Mr. Javed Wahab CNIC: 42101-7536887-1 Address: House # A-571, Sector B, Ghazali Road, Manzoor Colony, Karachi
Honda Civic	1,412	1,412	-	1,050	1,050	Negotiation	Name: Mr. Muhammad Anwar CNIC: 42301-1988333-7 Address: House # 280, Mohallah No. 1, Masoom Shah Colony, Kala Pull, Karachi
Mercedes Benz	1,438	-	1,438	7,000	5,562	Negotiation	Name: Mr. Rashid Mansur CNIC: 35201-5893032-9 Address: 100-K, Phase I, Defence Housing Authority Lahore - Pakistan.
Electrical, office and computer equipment							
Generator	1,175	747	428	200	(228)	Insurance Claim	Name: EFU General Insurance Limited - related party, Address: 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Generator	735	482	253	95	(158)	Insurance Claim	Name: EFU General Insurance Limited - related party, Address: 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
UPS	592	278	314	325	11		Name: Farrukh Engineering Address: 1st Floor Plot no.12 Block 16 Gulshan-e-Iqbal Main University Road
Others (note 12.2.3)	18,520	15,324	3,197	7,391	4,194		
	54,659	42,323	12,336	38,017	25,681		

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.

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

Korangi Industrial Area Branch
Tel: 021 3505 5826 & 3505 2773

Zamzama Branch
Tel: 021 35295224 - 5

Federal B Area Branch
Tel: 021 36316229

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

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

Abul Hasan Isphahani Road Branch
Tel: 021 3469 354 - 9

Jodia Bazar Branch
Tel: 021 3243 5304 - 6

New Chali Branch
Tel: 021 3260 210 - 3

North Napier Branch
Tel: 021 32467791 - 94

Saddar Electronic Market Branch
Tel: 021 32700430 - 33

Urdu Bazar Branch
Tel: 021 32603075 - 77

Bahadurabad Branch
Tel: 021 34922802 - 05

Fancy View Sohrab Goth Branch
Tel: 021 34690612 - 17

North Karachi Industrial Area Branch
Tel: 021 36962910 - 11

UP Morr Branch
Tel: 021 36948010 - 15

Orangi Town Branch
Tel: 021 36697927 - 30

IBA City Campus
Tel: 021 32294811 - 13

26th Street Tauheed Commercial DHA
Tel: 021 3505 5826

Landhi Branch
Tel: 021 35046923 - 25

Progressive Plaza, Shahrah-e-Faisal Branch
Tel: 021 34324682 - 5

Bokhari Commercial DHA Branch
Tel: 080 001 122

Phase 1 Korangi Road, DHA
Tel: 080 001 122

Haideri Market
Tel: 021 36677904

Hyderabad

Saddar Branch
Tel: 022 273 0925 - 7

Latifabad Branch
Tel: 022 381 7971 - 4

Cloth Market Branch
Tel: 0222 6182700 - 13

Qasimabad Branch
Tel: 022 2652191

Citizen Colony Branch
Tel: 022 2100892 - 95

SITE Branch
Tel: 022 3885192

Jamshoro Branch
Tel: 022 3878101 - 4

Sanghar Branch
Tel: 023 5800162 - 5



Branch Network

Mirwah Gorchani

Tel: 023 38962355

Mirpurkhas Branch

Tel: 023 3876 001 - 4

Sukkur

Shaheed Gunj Branch

Tel: 071 562 7481 - 2

IBA Campus Branch

Tel: 071 563 3826

Military Road Branch

Tel: 071 5630824 - 26 - 30 - 31

Larkana Branch

Tel: 074 405 8603 - 5

Khairpur Branch

Tel: 024 3715316 - 8

Maatli Branch Badin

Tel: 029 7841514

Nawabshah Branch

Tel: 024 4330 561 - 4

Sultanabad Branch

Tel: 023 3500498

Tando Allahyar Branch

Tel: 022 3892001 - 4

Chambar Branch

Tel: 022 3897033 - 35

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 Branch

Tel: 0723 600484 - 85

Kandh Kot Branch Kashmir

Tel: 072 2573048

Shahdad Kot Branch

Tel: 074 4013160

Shahdadpur Branch

Tel: 0235 84317475

Mithi Branch

Tel: 0232 261651

Tando Adam Branch

Tel: 0235 571880 - 81

Mehar Branch

Tel: 025 4730186

Dadu Branch

Tel: 025 471160102

Jacobabad Branch

Tel: 0722 652677

Badin Branch

Tel: 0297 861201

Tando Jam Branch

Tel: 022 2765612 - 14

Thatta Branch

Tel: 029 8550934

Umer Kot Branch

Tel: 0238 570154 - 8

Sheikh Berkiyo Branch

Tel: 0335 2929824 - 23

Behar Colony Branch

Tel: 080 001 122

Bhiria Road Branch

Tel: 0242 432131 - 35

BALUCHISTAN Quetta

M.A. Jinnah Road Branch

Tel: 081 286 5501 - 4

Chamman Branch

Tel: 0826 618070 - 75

Zarghoon Road Branch

Tel: 081 2472985

PUNJAB Lahore

Upper Mall Branch

Tel: 042 111 572 265

DHA Branch

Tel: 042 3569 2953 - 61

Allama Iqbal Town Branch

Tel: 042 3543 4253 - 5

Azam Cloth Branch

Tel: 042 37671195 - 6

Shadman Town Branch

Tel: 042 3750 3701 - 8

College Road Branch

Tel: 042 35117491 - 94

Devine Mega Mall Branch

Tel: 042 35700081 - 85

Bhagbanpura Branch

Tel: 042 36858873 - 74

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

Cavalry Ground Branch

Tel: 042 366 10282 - 4

Branch Network

Raiwand Road Branch
Tel: 042 529 1247 - 8

Urdu bazar Branch
Tel: 042 37115918

Badami Bagh Branch
Tel: 042 37946853

Bahria Town Branch
Tel: 042 35976212

Ichra Ferozepur
Tel: 042 37428406

Shahdara Branch
Tel: 042 37931903 - 5

Shadbagh Branch
Tel: 042 37604549 - 51

DHA Phase VI Branch
Tel: 042 36123871

Johar Town Branch
Tel: 042 35241088 - 85

Ferozepur Road Branch
Tel: 080 001 122

The Mall Branch
Tel: 042 6285781 - 90

Jauharabad Branch
Tel: 045 4723319 - 20 - 22

Muridke Branch
Tel: 042 3795 1054 - 7

Sadiqabad Branch
Tel: 068 5803933 - 38

Agrow Warburton Branch Nankana
Tel: 056 279 4068

Gujranwala

G.T. Road Branch
Tel: 055 325 7363, 055 325 7365
055 325 7617

Bank Square Branch
Tel: 055 4234401 - 3

Sheikhupura Road Branch
Tel: 055 4233854 - 57

Faisalabad

Grain Market Branch
Tel: 041 2633382 - 84

Karkhana Bazar Branch
Tel: 041 2624501 - 3

Liaquat Road Branch
Tel: 041 241 2263 - 65

Peoples Colony, Satiana Road Branch
Tel: 080 001 122

Millat Chowk, Gulistan Colony Branch
Tel: 080 001 122

Rabwa Branch
Tel: 047 621 4042 - 5

Narowal Branch
Tel: 054 2411271 - 73

Multan

Abdali Road Branch
Tel: 061 457 4496

Vehari Road Branch
Tel: 061 6241101 - 02

Bosan Road Branch
Tel: 061 6223416

Gagoo Mandi Branch
Tel: 067 3501072

Dipalpur Branch
Tel: 044 454 2246 - 9

Agrow Ellahabad Theengmorr Branch
Tel: 049 201 6310, 049 201 6312

Jhang Branch
Tel: 047 7652941 - 43

Haroonabad Branch
Tel: 063 2250614 - 15

Sialkot

Cantt Branch
Tel: 052 427 2351 - 4

Shahab Pura Branch
Tel: 052 4242681

Daska Branch
Tel: 052 661 0461 - 4

Bhakkar Branch
Tel: 0453 510407- 409

Rahim Yar Khan Branch
Tel: 068 587 9511 - 4

Kasur

Chandni Chowk Branch
Tel: 049 276 158 - 4

Agrow Kasur Branch
Tel: 049 2771308 - 9

Sheikhupura Branch
Tel: 056 3810273 - 6

Agrow Sheikhupura Branch
Tel: 056 3035790

Gujrat

Gujrat Branch
Tel: 053 353 8091 - 4

Jalalpur Jattan Branch
Tel: 053 3430271 - 72

Dinga Branch
Tel: 053 7401366 - 71

Kacheri Chowk Branch
Tel: 053 3600581 - 87

Sahiwal

Sahiwal Branch
Tel: 040 422 2733 - 5

Chichawatni Branch
Tel: 040 5481792

Okara Branch
Tel: 044 252 872 - 30

Mandi Bahauddin Branch
Tel: 0546 509452 - 3

Sargodha Branch
Tel: 048 3768286 - 90



Branch Network

Bhawalpur Branch

Tel: 062 2889176 - 78

D G Khan

Tel: 064 2470954

Arifwala Branch

Tel: 0457 835477 - 81

Vehari Branch

Tel: 067 336 0715 - 8

Pak Pattan Branch

Tel: 0457 352591 - 4

Agrow Pak Pattan Branch

Tel: 0457 419629

Khanewal Branch

Tel: 065 255 7491 - 3

Dina Branch

Tel: 0544 634273 - 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

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: 062 2441305 - 8

Leiah Branch

Tel: 060 6415045

Mian Chunnoo Branch

Tel: 065 2661282 - 85

Rawalpindi

PWD Branch

Tel: 051 5170584 - 5

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

Saidpur Branch

Tel: 051 5768049

Peshawar Road Branch

Tel: 051 549 2873 - 4

Taxila Branch

Tel: 051 4535315

Jinnah Road

Tel: 051 5778560 - 3

Airport Housing Society Branch

Tel: 051 5709928

Islamabad

Blue Area Branch

Tel: 051 111 572 265

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

I-8 Markaz Branch

Tel: 051 486 4523 - 6

F-10 Markaz

Tel: 051 2112957 - 58

Islamabad Stock Exchange Branch

Tel: 051 2894407 - 10

DHA Phase II Branch

Tel: 051 4358882

Khanna Pul Branch

Tel: 051 4478006 - 07

G-11 Branch

Tel: 051 2830601

E-11 Branch

Tel: 080 001 122

Chiniot Branch

Tel: 047 6332713 - 14

Lodhran Branch

Tel: 0608 361892 - 93

Bahawalnagar Branch

Tel: 063 2279434 - 38

Nankana Sahab Branch

Tel: 056 2877503 - 4

Mandi Faizabad Branch

Tel: 0546 509452 - 53 - 55

Ugoki Branch

Tel: 080 001 122

Gohad Pur Branch

Tel: 0524 265499 - 88

Branch Network

KHYBER PAKHTOONKHTWA - Peshawar

Cantt Branch
Tel: 091 527 9981

University Road Branch
Tel: 091 571 1572 - 5

Karkhano Bazar Branch
Tel: 091 5893134 - 7

Sikandar Pura Branch
Tel: 091-2593901 - 4

Dabgari Gardens Branch
Tel: 080 001 122

Topi Branch
Tel: 0938 272003 - 4

Mardan Branch
Tel: 0937 873445, 873452

D I Khan Branch
Tel: 0966 733216 -19

Mingora Swat Branch
Tel: 0946 711740 - 43

Abbottabad Branch
Tel: 099 233 1491 - 4

Saleh Khana Branch
Tel: 0923 651113 - 17

Timergara Branch
Tel: 080 001 122

Hari Pur Branch
Tel: 080 001 122

AZAD JAMMU & KASHMIR (AJK)

Attock Branch
Tel: 057 261 0500

Chaksawari Branch
Tel: 05827 454 790

Mirpur Branch
Tel: 05827 437281 - 4

Jatlan Branch
Tel: 05827 404388

Dadyal Branch
Tel: 058 63044668 - 70

Naarr Branch
Tel: 05826 420784 - 85

Muzaffarabad Branch
Tel: 05822 929 765 - 7

Kotli Branch
Tel: 05826 448228 - 30

Khui Ratta Branch
Tel: 05826 414906 - 7

Sehensa Branch
Tel: 05826 422779, 422300

Rawalakot Branch
Tel: 05824 445961 - 63

Charroi Branch
Tel: 05826 415474 - 76

GILGIT BALTISTAN

Gilgit Branch
Tel: 05811 50615 - 7



Pattern of Shareholding

Pattern of holding of the shares held by the shareholders as at 31-DEC-14

No. of Shareholders	Shareholdings				Total Shares Held
676	Shareholding From	1	To	100	9,210
766	Shareholding From	101	To	500	312,698
800	Shareholding From	501	To	1000	757,053
1656	Shareholding From	1001	To	5000	4,811,540
513	Shareholding From	5001	To	10000	4,052,679
230	Shareholding From	10001	To	15000	2,890,139
148	Shareholding From	15001	To	20000	2,695,380
105	Shareholding From	20001	To	25000	2,403,592
78	Shareholding From	25001	To	30000	2,220,271
36	Shareholding From	30001	To	35000	1,207,845
32	Shareholding From	35001	To	40000	1,228,968
16	Shareholding From	40001	To	45000	694,984
59	Shareholding From	45001	To	50000	2,883,693
1	Shareholding From	50001	To	55000	785,506
11	Shareholding From	55001	To	60000	642,679
6	Shareholding From	60001	To	65000	379,309
10	Shareholding From	65001	To	70000	679,334
19	Shareholding From	70001	To	75000	1,392,189
10	Shareholding From	75001	To	80000	790,800
10	Shareholding From	80001	To	85000	817,614
8	Shareholding From	85001	To	90000	704,642
2	Shareholding From	90001	To	95000	185,589
31	Shareholding From	95001	To	100000	3,098,008
5	Shareholding From	100001	To	105000	512,046
6	Shareholding From	105001	To	110000	652,680
4	Shareholding From	110001	To	115000	453,018
4	Shareholding From	115001	To	120000	477,500
3	Shareholding From	120001	To	125000	368,875
3	Shareholding From	125001	To	130000	389,500
4	Shareholding From	130001	To	135000	529,592
1	Shareholding From	135001	To	140000	139,000

Pattern of Shareholding

Pattern of holding of the shares held by the shareholders as at 31-DEC-14

No. of Shareholders	Shareholdings				Total Shares Held
2	Shareholding From	140001	To	145000	284,500
4	Shareholding From	145001	To	150000	599,000
5	Shareholding From	150001	To	155000	766,418
2	Shareholding From	155001	To	160000	319,949
1	Shareholding From	160001	To	165000	160,500
4	Shareholding From	170001	To	175000	697,000
2	Shareholding From	180001	To	185000	366,928
2	Shareholding From	185001	To	190000	377,000
9	Shareholding From	195001	To	200000	1,800,000
1	Shareholding From	200001	To	205000	202,839
3	Shareholding From	205001	To	210000	623,000
2	Shareholding From	215001	To	220000	434,200
4	Shareholding From	220001	To	225000	900,000
1	Shareholding From	230001	To	235000	232,750
1	Shareholding From	235001	To	240000	240,000
2	Shareholding From	245001	To	250000	497,000
1	Shareholding From	250001	To	255000	250,500
1	Shareholding From	255001	To	260000	256,195
1	Shareholding From	260001	To	265000	264,000
1	Shareholding From	270001	To	275000	275,000
1	Shareholding From	275001	To	280000	278,200
1	Shareholding From	285001	To	290000	288,500
6	Shareholding From	295001	To	300000	1,800,000
1	Shareholding From	300001	To	305000	304,000
1	Shareholding From	305001	To	310000	306,000
1	Shareholding From	310001	To	315000	314,000
1	Shareholding From	315001	To	320000	315,500
1	Shareholding From	320001	To	325000	324,062
1	Shareholding From	325001	To	330000	328,320
1	Shareholding From	350001	To	355000	352,500
1	Shareholding From	360001	To	365000	362,000



Pattern of Shareholding

Pattern of holding of the shares held by the shareholders as at 31-DEC-14

No. of Shareholders	Shareholdings				Total Shares Held
1	Shareholding From	365001	To	370000	367,500
2	Shareholding From	395001	To	400000	800,000
1	Shareholding From	400001	To	405000	401,500
1	Shareholding From	415001	To	420000	416,850
1	Shareholding From	440001	To	445000	441,500
1	Shareholding From	445001	To	450000	450,000
1	Shareholding From	470001	To	475000	471,000
5	Shareholding From	495001	To	500000	2,500,000
1	Shareholding From	520001	To	525000	525,000
1	Shareholding From	525001	To	530000	530,000
1	Shareholding From	535001	To	540000	535,500
2	Shareholding From	595001	To	600000	1,200,000
1	Shareholding From	655001	To	660000	657,772
1	Shareholding From	670001	To	675000	675,000
2	Shareholding From	695001	To	700000	1,400,000
1	Shareholding From	735001	To	740000	740,000
1	Shareholding From	745001	To	750000	748,731
1	Shareholding From	770001	To	775000	774,000
1	Shareholding From	775001	To	780000	780,000
1	Shareholding From	830001	To	835000	833,714
1	Shareholding From	855001	To	860000	858,779
1	Shareholding From	885001	To	890000	888,000
1	Shareholding From	915001	To	920000	919,000
3	Shareholding From	970001	To	975000	974,500
1	Shareholding From	995001	To	1000000	3,000,000
1	Shareholding From	1005001	To	1010000	1,007,579
1	Shareholding From	1060001	To	1065000	1,061,000
1	Shareholding From	1095001	To	1100000	1,100,000
1	Shareholding From	1100001	To	1105000	1,105,000
1	Shareholding From	1180001	To	1185000	1,184,000
1	Shareholding From	1495001	To	1500000	1,500,000

Pattern of Shareholding

Pattern of holding of the shares held by the shareholders as at 31-DEC-14

No. of Shareholders	Shareholdings				Total Shares Held
1	Shareholding From	1540001	To	1545000	1,545,000
1	Shareholding From	1585001	To	1590000	1,588,541
1	Shareholding From	1600001	To	1605000	1,602,000
1	Shareholding From	1810001	To	1815000	1,813,000
1	Shareholding From	1870001	To	1875000	1,872,400
1	Shareholding From	1945001	To	1950000	1,950,000
2	Shareholding From	2075001	To	2080000	4,152,822
1	Shareholding From	2110001	To	2115000	2,111,748
1	Shareholding From	2125001	To	2130000	2,129,500
1	Shareholding From	2330001	To	2335000	2,333,562
1	Shareholding From	2490001	To	2495000	2,495,000
1	Shareholding From	2675001	To	2680000	2,677,000
1	Shareholding From	2990001	To	2995000	2,995,000
1	Shareholding From	2995001	To	3000000	3,000,000
1	Shareholding From	3050001	To	3055000	3,054,500
1	Shareholding From	3840001	To	3845000	3,843,000
1	Shareholding From	4680001	To	4685000	4,684,500
1	Shareholding From	7135001	To	7140000	7,137,500
1	Shareholding From	13285001	To	13290000	13,288,204
1	Shareholding From	15495001	To	15500000	15,496,904
1	Shareholding From	15775001	To	15780000	15,777,161
1	Shareholding From	18885001	To	18890000	18,889,000
1	Shareholding From	19995001	To	20000000	20,000,000
1	Shareholding From	20665001	To	20670000	20,668,500
1	Shareholding From	23125001	To	23130000	23,125,694
1	Shareholding From	27375001	To	27380000	27,380,000
1	Shareholding From	29075001	To	29080000	29,077,000
1	Shareholding From	755245001	To	755250000	755,245,007
5,401					1,072,464,262

Pattern of Shareholding

Categories of Shareholders	Shares Held	Percentage%
BANKS DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS.	17,800,255	1.66
INSURANCE COMPANIES	23,163,194	2.16
DIRECTORS, CHIEF EXECUTIVE OFFICER, AND THEIR SPOUSE AND MINOR CHILDREN		
MR. JAHANGIR SIDDIQUI	1,588,542	
MR. MAZHARUL HAQ SIDDIQUI	780,001	
MR. ADIL MATCHESWALA	200,000	
MR. G. M. SIKANDER	1	
MR. ASHRAF NAWABI	1	
MR. KALIM UR RAHMAN	1	
MR. SHAHAB ANWAR KHAWAJA	1	
MRS. AKHTER JABEEN (W/o MR. MAZHARUL HAQ SIDDIQUI)	218,700	
Sub-Totals:	2,787,247	0.26
ASSOCIATED COMPANIES, UNDERTAKING AND RELATED PARTIES		
JAHANGIR SIDDIQUI & CO. LIMITED	755,245,007	70.42
MODARABAS AND MUTUAL FUNDS	76,732	0.01
NIT AND ICP		
INVESTMENT CORP. OF PAKISTAN	972	0.00
FOREIGN INVESTORS	48,876,746	4.56
OTHERS	128,341,820	11.97
LOCAL - INDIVIDUALS	96,172,289	8.97
	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, 2014 to December 31, 2014

None of Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary and their spouse and minor children during the period from January 01, 2014 to December 31, 2014 carried out transactions in the shares of the Bank except the following:

- Mr. Jahangir Siddiqui subscribed 222,180 preference shares issued by JS Bank.
- Mr. Kalim ur Rahman subscribed 1,000,000 preference shares issued by JS Bank.
- Mr. Mazharul Haq Siddiqui sold 220,000 ordinary shares of JS Bank.

FORM OF PROXY

9th 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. _____ hereby appoint _____ of _____ or failing him _____ of _____ as my / our proxy to attend, act and vote for me / us and on my / our behalf at the 9th Annual General Meeting of the Bank to be held on March 27, 2015 and / or any adjournment thereof. As witness my / our hand / seal this ____ day of _____ 2015 signed by _____ in the presence of (name & address)

WITNESS:

1. Name: _____
Signature: _____
Address: _____

CNIC or Passport No.: _____

WITNESS:

2. Name: _____
Signature: _____
Address: _____

CNIC or Passport No.: _____

**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 Depository 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 of 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).

Head Office

Shaheen Commercial Complex, Dr. Ziauddin Ahmed Road,
P.O. Box 4847, Karachi-74200, Pakistan.
UAN: +92 21 111 JS BANK (572-265)