

Rising with Values



 **JS BANK**

JS Bank Limited
Annual Report 2008

JS Bank Limited
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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, exceeding service expectations.

Vision

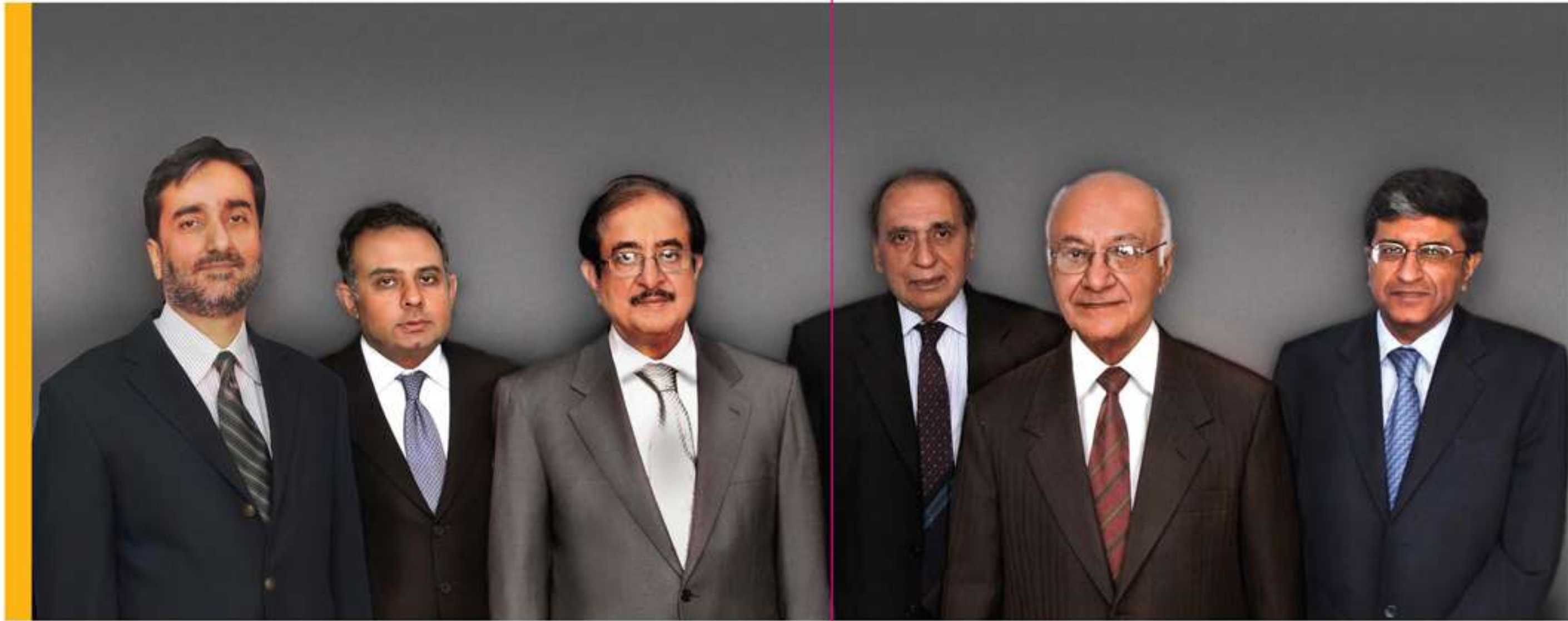
To provide quality and innovative range of banking services and products to our customers by a highly motivated team of professionals whilst maintaining high ethical and regulatory standards thereby, generating sustainable returns to the shareholders.



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good citizenship

COMPANY INFORMATION

Board of Directors	Chairman	Mr. Jahangir Siddiqui Mr. Mazhar-ul-Haq Siddiqui Mr. Maqbool A. Soomro Mr. Ashraf Nawabi Mr. Rafique R. Bhimjee Syed Amjad Ali Mr. Basir Shamsie
President & Chief Executive Officer		Mr. Naveed Qazi
Audit Committee	Chairman Member Member	Mr. Jahangir Siddiqui Mr. Maqbool A. Soomro Mr. Rafique R. Bhimjee
Human Resource Committee	Chairman Member Member	Mr. Jahangir Siddiqui Mr. Naveed Qazi Syed Muhammad Shoaib Omair
Risk Management Committee	Chairman Member Member Member	Mr. Jahangir Siddiqui Mr. Naveed Qazi Mr. Ashraf Nawabi Syed Amjad Ali
Company Secretary		Mr. Muhammad Yousuf Amanullah
Auditors		Ford Rhodes Sidat Hyder & Co. Chartered Accountants <small>(Member firm of Ernst & Young Global Limited)</small>
Legal Advisors		Bawaney & Partners Liaquat Merchant Associates
Share Registrar		Technology Trade (Pvt.) Limited 241-C, Block-2, P.E.C.H.S., Karachi
Registered Office		JS Bank Limited Shaheen Commercial Complex Dr. Ziauddin Ahmed Road P.O. Box 4847 Karachi-74200, Pakistan.



Board of Directors



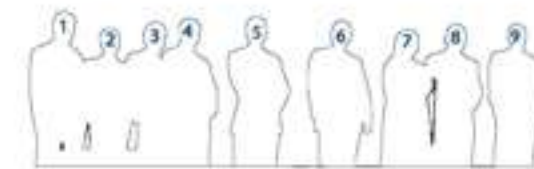
- 1) Naveed Qazi - President & Chief Executive Officer
- 2) Basir Shamsie
- 3) Jahangir Siddiqui - Chairman
- 4) Syed Amjad Ali
- 5) Maqbool A. Soomro
- 6) Rafique R. Bhimjee

Not in picture:

- 1) Mazhar-ul-Haq Siddiqui
- 2) Ashraf Nawabi



Management Committee



- 1) Majid Hamid - Group Head Retail Banking
- 2) S. M. Shoaib Omair - Group Head Human Resources
- 3) M. Yousuf Amanullah - Company Secretary & Chief Financial Officer
- 4) Iqram Siddiqui - Head of Compliance
- 5) Naveed Qazi - President & Chief Executive Officer
- 6) Akbar Hasan Khan - Group Head Risk Management
- 7) Zoya Jafarey - Group Head Corporate & Commercial Banking
- 8) Basir Shamsie - Group Head Treasury, Financial Institutions & Investment Banking
- 9) M. Khalil ur Rehman - Group Head Operations



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NOTICE OF THIRD ANNUAL GENERAL MEETING

Notice is hereby given that the Third Annual General Meeting of the Shareholders of JS Bank Limited will be held on 30th March, 2009 at 9:30 am at the Beach Luxury Hotel, Karachi to transact the following business.

Ordinary Business

1. To confirm the minutes of the Annual General Meeting held on March 29, 2008.
2. To consider and approve the Audited Financial Statements of the Bank for the year ended December 31, 2008 together with the Directors' Report and Auditors' Report thereon.
3. To appoint the Auditors for the year 2009 and to fix their remuneration. Present auditors Messrs. Ford Rhodes Sidat Hyder & Co., Chartered Accountants retire and being eligible have offered themselves for re-appointment.
4. Any other business with the permission of the Chairman.

Karachi: March 03, 2009.

By Order of the Board
Muhammad Yousuf Amanullah
Company Secretary

Notes:

- (i) Share transfer books of the Bank will remain closed from March 24, 2009 to March 30, 2009. (both days inclusive)
- (ii) 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.
- (iii) Proxies must be received at the Registered Office of the Bank not less than 48 hours before the time of the meeting.
- (iv) Beneficial owners of the shares registered in the name of Central Depository Company of Pakistan (CDC) and/or their proxies are required to produce their original Computerized National Identity Card (CNIC) or passport for identification purpose at the time of attending the meeting. The form of the proxy must be submitted with the Bank within the stipulated time, duly witnessed by two persons whose names, addresses and CNIC numbers must be mentioned on the form, along with attested copies of the CNIC or the passport of the beneficial owner and the proxy. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with the proxy form of the Bank.
- (v) Shareholders are requested to notify immediately for any change in their address.



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DIRECTORS' REPORT

We are pleased to present the Third Annual Report of JS Bank Limited ("JS Bank") along with the audited accounts and Auditors' Report thereon for the year ended December 31, 2008.

Economic Review

Pakistan's economy appears to be turning the corner. Macroeconomic indicators have started showing signs of improvement. A sharp fall in international commodity prices has helped ease trade and current account deficits, while headline inflation has started its downwards spiral after peaking in August 2008. Moreover, foreign exchange reserves which had fallen to a level of US\$ 6.60 bn (10 weeks of import cover) have now stabilized at just over US\$ 10 billion due to a combination of IMF and multi-lateral funding as well as structural improvements in Pakistan's balance of payments.

While the external account situation has improved in recent months, the economic slowdown led by the slowdown in the large scale manufacturing sector has started to affect the banking industry. High interest rates and a cyclical slowdown in the economy have raised concerns on asset quality. Moreover, a contraction in Net Foreign Assets has affected banking sector deposits with growth falling to 7% in 2008 as against a 5-year (2003-07) CAGR of 18%. Though the banking sector is likely to consolidate in the immediate term, Pakistan's under banked status (credit penetration of only 30%) offers significant untapped long-term potential in the sector.

Financial Performance Review

During the year, JS Bank attained a profit after tax of Rs 54.77 million as compared to profit after tax of Rs 35.43 million during the preceding year. Mark-up income has been a major contributor towards our total income. Moreover, non-mark up income also grew by 18%.

The balance sheet grew stronger in 2008 with the asset side of the Bank improving due to higher business volumes. Total assets stood at Rs 21.64 billion from Rs. 20.33 billion as at December 31, 2007 which was driven by a 50% increase in advances. Being focused on core deposits, our deposit base has increased from Rs 13.68 billion to Rs 15.29 billion.

Summarized financial data:

	(Rupees in 000)	
	2008	2007
Deposits and other accounts	15,294,273	13,679,898
Investments	5,119,959	6,309,536
Advances	9,699,199	6,475,963
Profit before tax	111,225	(62,221)

Pursuant to BSD Circular no. 4, dated February 13, 2009 of the SBP, the impairment loss resulting from the valuation of listed equity securities held under 'Available-for-sale' category of investments as on December 31, 2008 has not been recognized in the profit and loss account and has been taken to 'Deficit on revaluation' account as shown on the balance sheet. Had the above loss been recognized in the profit and loss account, it would have resulted in a decrease in tax charge for the year amounting to Rs.185.66 million (with a corresponding increase in deficit on revaluation of securities) and profit would have been turned into loss of Rs.431.74 million. Earnings per share would have resulted in loss per share of Re. 0.83.

The impairment loss will be taken to the profit and loss account in the year 2009 on a quarterly basis after adjustment for the effects of price movements in that year.

Business Development

The roll-out of the Retail Banking Group has been the single most high profile development at JS Bank in 2008. The Retail Banking Group has been repositioned with the aim of fulfilling the Bank's vision of becoming a serious, mid-sized, performance driven bank in Pakistan in an extremely short time frame.

There have been multiple comprehensive initiatives that have been launched in the Retail Banking Group covering a wide array of business areas such as SME Banking, Service Quality, Alternate Delivery Channels, Branch Banking, Business Intelligence, Product Development and Marketing and Corporate Communications.

In line with the bank's growth strategies, considerable energy and resources have been committed to the branch expansion plan which has seen the Bank increase its branch network from 9 branches/sub-branches to 39 branches/sub-branches in 13 cities across all four provinces of Pakistan and Azad Kashmir. This rapid expansion in our network is designed to achieve the size and scale for the Bank to service newer customer segments in more cities across Pakistan. The physical expansion of the Bank will help us reach a critical mass of customers. Such a solid base is a pre-requisite to take the Bank to the next level as a customer-centric, service oriented institution with a broadened product suite at a national level. The Bank plans to unveil 80 new branches/sub-branches across Pakistan before the end of 2009 bringing our countrywide network total to 119 real-time online branches. With the completion of these new branches, JS Bank will have a network presence which will be competitive with any mid-sized bank in the country and will be able to service customers, not just in metropolitan markets but also in various sub-urban, peri-urban and underserved markets across Pakistan.

Considerable focus in product development will continue to be placed on new technology and Alternate Delivery Channels (ADCs) to cultivate a competitive advantage in 2009. Efforts will be made to launch a plethora of new technology products by playing on the strengths of our cutting edge core banking system, Temenos T-24. Agreements have already been signed with leading service providers in the industry for the deployment of ATMs, Branchless Banking, Network Debit Card and a Customer Facilitation Center. These will not only enable the Bank to launch all these initiatives according to the highest levels of service excellence but will also ensure that the Bank has these initiatives online within a very short time to market.

Auditors

The retiring auditors M/s Ford Rhodes Sidat Hyder & Co. Chartered Accountants, (a member firm of Ernst & Young Global Limited) being eligible, offer themselves for re-appointment. The Audit Committee of the Bank has recommended their re-appointment until the conclusion of the next AGM.

Credit Rating

The Pakistan Credit Rating Agency Limited while assigning a positive outlook, has maintained the long-term and short-term entity ratings of the Bank at A- ("Single A minus") and the short term rating at A2 ("A Two"). These ratings denote a low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments.

Statement on Internal Controls

The management acknowledges its responsibility for establishing and maintaining adequate systems of internal controls and procedures. Accordingly, the management has developed policies and procedures and internal control evaluation charts across all areas of the organization. These policies and procedures are first approved by the senior management and thereafter forwarded to the Board of Directors for final approval. The Bank's Internal Audit function continues to monitor compliance with these policies and procedures and regularly communicates findings to the Board through the Audit Committee.

During the year the management has reviewed the system of internal controls in accordance with established benchmarks including the "Committee of Sponsoring Organizations" (COSO) Framework. The Management in consultation with the external auditors has also devised testing strategies that meet the requirements of relevant international benchmarks (PCAOB Standards) for evaluating the results of testing activities. With the testing activities underway, management is geared to comply with the requirement for certification of internal controls upon finalization of reporting formats between the various regulators.

Risk Management Framework

The Bank has been proactive in adopting measures to manage, monitor and mitigate risks associated with banking activities and has placed great emphasis in the development of an effective risk management framework which contributes towards the effective allocation of the Bank's Capital. The Integrated Risk Management Committee (IRMC) and Assets & Liabilities Committee (ALCO) operate within an established framework in order to monitor the Bank's activities and maintain the business risk level within predefined limits. These committees meet on a regular basis to review market development and the level of financial risk exposure to the Bank. A sound structure of Board's Sub-committee on Risk is also in place which keeps an eye on the overall risk profile of the Bank.

The Bank also has a comprehensive risk management framework commensurate with the nature of its business, which includes:

- Clearly defined risk management policies and procedures covering risk identification, acceptance, measurement, monitoring, reporting and control.
- A well constituted centralized organizational structure defining roles and responsibilities of individuals involved in risk taking and management.
- An effective management information system that ensures a smooth flow of information from the operational level to top management and a system to address any exceptions observed. Any deviation to the approved standards is explicitly approved by the competent authority level.
- A mechanism to ensure an on-going review of systems, policies and procedures for risk management and procedures to adopt changes.

It is important to note that the last quarter of FY08 represented a sharp reversal in the overall economic environment. This was particularly poignant in the inter-bank treasury market culminating in a systemic liquidity crisis. It is worth pointing out that the meticulously designed risk managements systems and internal control processes mentioned above were put to a practical test. We are happy to report that it was precisely these measures that ensured that the Bank managed to with-stand the severe market environment unscathed. Pro-active management steps as a result of our controls helped us mediate liquidity gaps and circumvent heightened interest rate risks.

Statement on Corporate and Financial Reporting Framework

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

- The financial statements prepared by the management present fairly the state of affairs of JS Bank, the results of its operations, Cash Flow Statement and Statement of Changes in Equity.
- Proper books of accounts of the Bank have been maintained.
- 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 judgement.
- International Accounting Standards as applicable in Pakistan have been followed in preparation of the financial statements.
- The system of internal controls is sound in design and has been effectively implemented and monitored.
- There are no doubts about the Bank's ability as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- The details of outstanding statutory payments, if any, have been adequately disclosed in the financial statements.

Employee Benefits Scheme

The Bank operates a funded provident scheme covering all its permanent employees. The un-audited balance of the fund as at December 31, 2008 was Rs. 48 million (December 31, 2007: Rs. 16 million.)

Board Meetings

Six meetings of the Board of Directors were held during the Year 2008. The attendance of directors at Board Meetings is as follows:

Name of Director	Eligible to attend	Meetings attended
Jahangir Siddiqui, Chairman	6	5
Mazhar-ul-Haq Siddiqui	6	5
Maqbool A. Soomro	6	6
Ashraf Nawabi	6	2
Rafique R. Bhimjee	6	4
Syed Amjad Ali	6	4
Basir Shamsie	6	4
Naveed Qazi, President & CEO	6	6

Pattern of Shareholding

The Statement of Pattern of Shareholding as on December 31, 2008 appears on page no. 92 and includes the transactions carried out by the Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary and their spouses and minor children.

Rights Issue

The Board in its meeting held on September 29, 2008 had approved 20% right shares at par value i.e. Rs. 1,102,126,750 (110,212,675 shares). The amount received has been converted into paid-up capital. The unsubscribed portion has been subscribed by the sponsors subsequent to year end which reflects a strong commitment from the sponsors to meet the minimum capital requirements of the State Bank of Pakistan.

Acknowledgement

We would like to express our sincere thanks and gratitude for the guidance provided by the State Bank of Pakistan (SBP), the Securities and Exchange Commission of Pakistan (SECP) and the Karachi Stock Exchange (Guarantee) Limited (KSE). We would also like to thank our valued clients for their continued patronage and confidence. The Board would also like to place on record its appreciation for the hard work, dedication, professionalism and sincere efforts of the senior management, officers and staff of JS Bank.

Jahangir Siddiqui
Chairman

Karachi: March 02, 2009



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STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CORPORATE GOVERNANCE

Period ended December 31, 2008.

This statement is being presented to comply with the Code of Corporate Governance as required under Prudential Regulation No. G-1 - Responsibilities of the Board of Directors, vide BSD Circular No.15 dated June 13, 2002 for the purposes of establishing a framework of good governance, whereby a Bank is managed in compliance with the best practices of Corporate Governance.

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 six non-executive directors including three independent directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies including the Bank.
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 Development Financial Institution (DFI) or a Non Banking Finance Company (NBFC) or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the year.
5. The Bank has prepared a Statement of Ethics and Business practices, which has been signed by all the Directors and employees on joining the Bank.
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 of approval or amendment 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 Chief Executive Officer (CEO) and the Executive Director have been taken by the Board.
8. All 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 members have been provided an orientation course material to apprise them of their duties and responsibilities.
10. The Board has approved appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO. The Head of Internal Audit of the Bank has resigned during the year and the Bank is in process to hire a new Head of Internal Audit.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code 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 code as applicable during the period.
15. The Board has formed an Audit Committee. It comprises three members, of whom all are non-executive directors including the Chairman of the committee.
16. The meetings of the Audit Committee were held once every quarter prior to the approval of interim and final results of the Bank as required by the Code. The terms of reference of the committee have been framed by the Board and the Audit Committee operates within the defined terms of reference.

17. The Board has set up an effective internal audit function consisting of a full time internal auditor who is suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Bank.
18. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review programme of the institute of Chartered Accountants of Pakistan (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 Institute of Chartered Accountants of Pakistan.
19. 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.
20. We confirm that all other material principles contained in the code have been complied with.

For and on behalf of the Board

Naveed Qazi
President & CEO

Karachi: March 02, 2009.

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

We have reviewed the Statement of Compliance with the best practice (the Statement) contained in the Code of Corporate Governance (the code) for the year ended December 31, 2008 prepared by the Board of Directors of JS Bank Limited (the Bank) to comply with the Listing Regulation No. 37 (Chapter XI) of the Karachi Stock Exchange, where the Bank is listed.

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the statement does not appropriately reflect the status of the Bank's compliance, in all material respects, with the best practices contained in the code for the year ended December 31, 2008.

Karachi: March 02, 2009.

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of JS BANK LIMITED (the Bank) as at December 31, 2008 and the related profit and loss account, cash flow statement and statement of changes in equity, together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for four 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 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 sixty percent of the total loans and advances of the Bank, we report that:

- (a) In our opinion proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984); and the returns referred to above receive from the branch name been found adequate for the purposes of our audit;
- (b) In our opinion:
- (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
- (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 balance sheet, profit and loss account, cash flow statement and statement of changes in equity, together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at 31 December 2008 and its true balance of the profit, its cash flows and changes in equity for the year then ended; and
- (d) In our opinion zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Karachi: March 02, 2009.

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

BALANCE SHEET

As at December 31, 2008.

		December 31, 2008	December 31, 2007
	Note	Rupees in '000	
ASSETS			
Cash and balances with treasury banks	7	1,285,247	977,235
Balances with other banks	8	672,271	254,079
Lendings to financial institutions	9	1,405,210	3,601,211
Investments	10	5,119,959	6,309,536
Advances	11	9,699,199	6,475,963
Operating fixed assets	12	2,496,883	1,955,360
Deferred tax assets	13	271,646	126,525
Other assets	14	677,387	627,843
		21,627,802	20,327,752
LIABILITIES			
Bills payable	15	127,922	727,179
Borrowings	16	537,655	481,147
Deposits and other accounts	17	15,294,273	13,679,898
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	18	392,115	245,721
		16,351,965	15,133,945
NET ASSETS			
		5,275,837	5,193,807
REPRESENTED BY			
Share capital	19	5,694,844	5,106,337
Reserves		18,040	7,086
Unappropriated profit		71,744	27,928
		5,784,628	5,141,351
(Deficit)/Surplus on revaluation of assets - net of tax	20	(508,791)	52,456
		5,275,837	5,193,807
CONTINGENCIES AND COMMITMENTS			
	21		

The valuation of listed equity securities/mutual funds held under 'available-for-sale' category of investments has been arrived at using the market prices quoted on the stock exchange / net assets value as of December 31, 2008 and the impairment loss arising therefrom has been included in deficit on revaluation of assets - net of tax as allowed by State Bank of Pakistan. Under the regular accounting policy of the Bank, the same would have resulted in a charge to profit and loss account of Rs.486.506 million (net of tax) and, consequently, the unappropriated profit for the year would have resulted in accumulated loss of Rs.403.808 million (see note 10.3).

The annexed notes from 1 to 44 form an integral part of these financial statements.

Jahangir Siddiqui
Chairman

Naveed Qazi
President & Chief Executive

Rafique R. Bhimjee
Director

Syed Amjad Ali
Director

PROFIT AND LOSS ACCOUNT

For the year ended December 31, 2008.

		December 31, 2008	December 31, 2007
		— Rupees in '000 —	
Mark-up / Return / Interest Earned	23	1,975,203	1,130,383
Mark-up / Return / Interest Expensed	24	1,361,738	864,300
Net Mark-up / Interest Income		613,465	266,083
Provision against non-performing loans and advances (Reversal) / Provision for diminution in the value of investments	11.4	11,972	8,973
Bad debts written off directly		(754)	754
		11,218	9,727
Net Mark-up / Interest Income after provisions		602,247	256,356
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income	25	103,448	126,542
Dividend Income		73,441	92,813
Income from dealing in foreign currencies		102,575	48,451
Gain on sale of securities - net	26	212,805	148,891
Unrealized loss on revaluation of investments classified as held for trading		(1,307)	(4,123)
Other Income		1,383	5,766
Total non-mark-up / interest income		492,345	418,340
		1,094,592	674,696
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	27	982,624	736,263
Other provisions / write offs		-	-
Other charges	28	743	654
Total non-mark-up / interest expenses		983,367	736,917
		111,225	(62,221)
Extra ordinary / unusual items		-	-
Profit / (Loss) Before Taxation		111,225	(62,221)
Taxation - Current	29	-	(6,556)
- Prior years		-	-
- Deferred	13	(56,455)	104,208
		(56,455)	97,652
PROFIT AFTER TAXATION		54,770	35,431
Unappropriated profit / (loss) brought forward		35,014	(417)
Profit available for appropriation		89,784	35,014
Basic Earnings per share	(Rupee)	30	0.11
Diluted Earnings per share	(Rupee)	30	0.07

The valuation of listed equity securities/mutual funds held under 'available-for-sale' category of investments has been arrived at using the market prices quoted on the stock exchange/net assets value as of December 31, 2008 and the impairment loss arising therefrom has been included in deficit on revaluation of assets - net of tax as allowed by State Bank of Pakistan. Under the regular accounting policy of the Bank, the same would have resulted in a charge to profit and loss account of Rs.672.162 million and, consequently, the profit for the year would have resulted in loss of Rs.431.736 million (see note 10.3).

The annexed notes from 1 to 44 form an integral part of these financial statements.

Jahangir Siddiqui
Chairman

Naveed Qazi
President & Chief Executive

Rafique R. Bhimjee
Director

Syed Amjad Ali
Director

CASH FLOW STATEMENT

For the year ended December 31, 2008.

	December 31, 2008	December 31, 2007
	— Rupees in '000 —	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (Loss) before taxation	111,225	(62,221)
Less: Dividend income	(73,441)	(92,813)
	37,784	(155,034)
Adjustments:		
Depreciation	78,615	29,856
Amortisation of intangibles	48,700	191,839
Amortisation of deferred cost	-	6,736
Charge for defined benefit plan	9,826	7,239
Unrealised loss on revaluation of investments classified as held for trading	1,307	4,123
Reversal of provision against non-performing advances	(1,928)	(5,095)
Provision against non-performing advances (Reversal) / provision for impairment in the value of investments	13,900	14,068
	(754)	754
Gain on sale of fixed assets	(617)	(5,766)
	149,049	243,754
	186,833	88,720
(Increase) / decrease in operating assets		
Lendings to financial institutions	2,196,001	(775,299)
Held for trading securities	90,053	(115,367)
Advances	(3,235,208)	(4,792,105)
Other assets	(44,997)	(409,187)
	(994,151)	(6,091,958)
Increase / (decrease) in operating liabilities		
Bills payable	(599,257)	116,556
Borrowings	63,355	(328,845)
Deposits	1,614,375	6,481,749
Other liabilities	136,568	(694,388)
	1,215,041	5,575,072
	220,890	(516,886)
Income tax paid	(4,547)	(32,718)
Net cash flow from / (used in) operating activities (Balance c/f)	403,176	(460,884)

Note	December 31,	December 31,
	2008	2007
	Rupees in '000	
Net cash flow from / (used in) operating activities (balance b/f)	403,176	(460,884)
CASH FLOW FROM INVESTING ACTIVITIES		
Net investment in available for sale securities	336,149	(3,561,361)
Dividend income	73,441	92,813
Investment in operating fixed assets	(671,152)	(339,130)
Sale proceeds of property and equipment disposed-off	2,930	11,849
Net cash used in investing activities	(258,632)	(3,795,829)
Cash Flow From Financing Activities		
Issue of share capital	588,507	2,102,112
NET CASH FLOW FROM FINANCING ACTIVITIES	588,507	2,102,112
Effects of exchange rate changes on Cash and cash equivalents	-	-
Increase / (decrease) in cash and cash equivalents	733,051	(2,154,601)
Cash and cash equivalents at beginning of the year	1,221,322	3,375,923
Cash and cash equivalents at end of the year	31 1,954,373	1,221,322

The annexed notes from 1 to 44 form an integral part of these financial statements.

Jahangir Siddiqui
Chairman

Naveed Qazi
President & Chief Executive

Rafique R. Bhimjee
Director

Syed Amjad Ali
Director

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2008.

	Issued, subscribed and paid-up share capital	Statutory reserve	Unappropriated profit	Total
	Rupees in '000			
Balance as at January 01, 2007	3,004,225	-	(417)	3,003,808
Issue of ordinary shares of Rs.10 each against cash	2,102,112	-	-	2,102,112
Net profit for the year	-	-	35,431	35,431
Transfer to statutory reserve	-	7,086	(7,086)	-
Balance as at December 31, 2007	5,106,337	7,086	27,928	5,141,351
Issue of ordinary shares of Rs.10 each against cash	588,507	-	-	588,507
Net profit for the year	-	-	54,770	54,770
Transfer to statutory reserve	-	10,954	(10,954)	-
Balance as at December 31, 2008	5,694,844	18,040	71,744	5,784,628

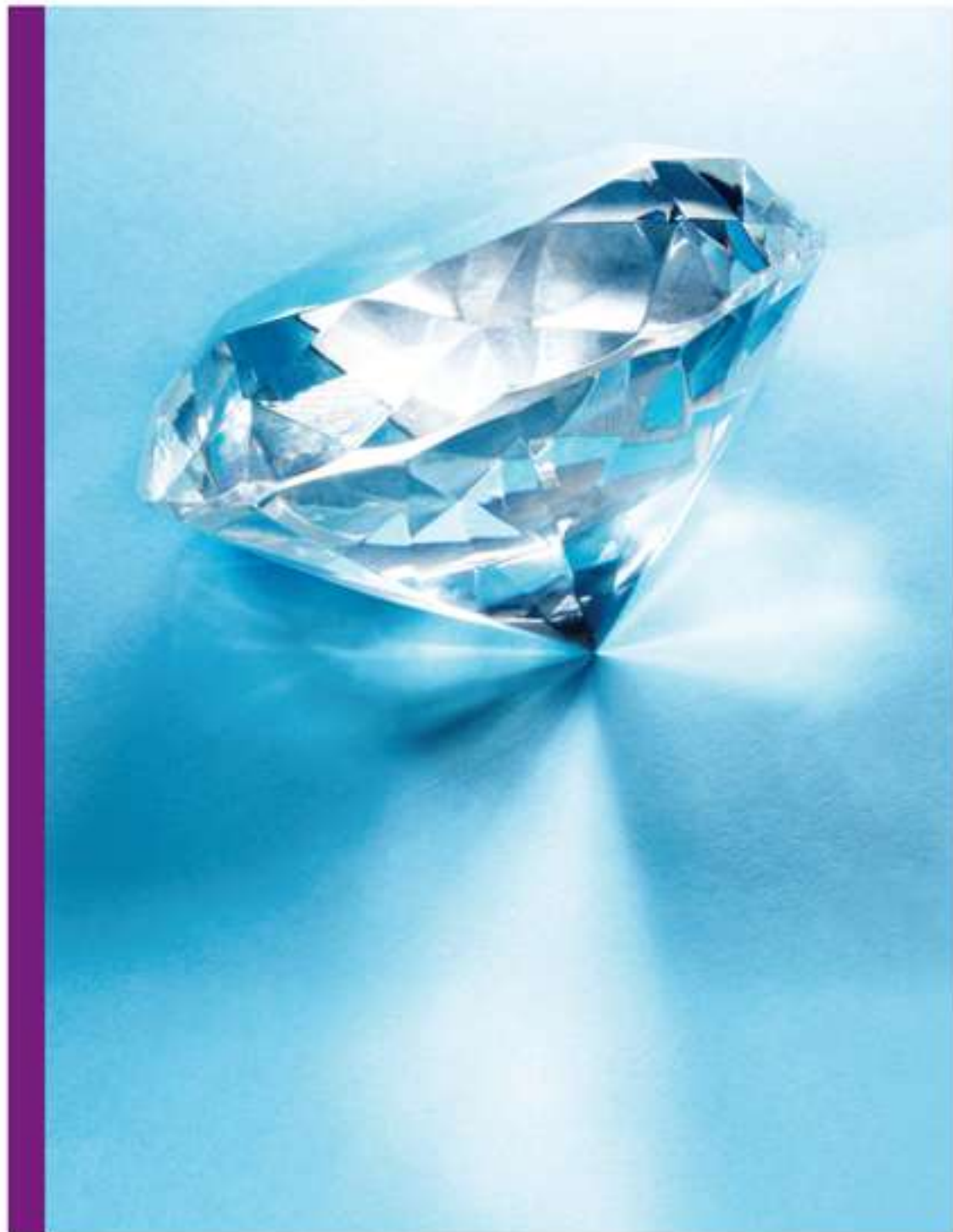
The annexed notes from 1 to 44 form an integral part of these financial statements.

Jahangir Siddiqui
Chairman

Naveed Qazi
President & Chief Executive

Rafique R. Bhimjee
Director

Syed Amjad Ali
Director



rising with
integrity

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2008.

1. STATUS AND NATURE OF BUSINESS

- 1.1 JS Bank Limited (the Bank), incorporated in Pakistan, is a scheduled bank, engaged in commercial banking and related services. The Bank is listed on Karachi Stock Exchange in Pakistan. The Bank is a subsidiary of Jahangir Siddiqui & Company Limited (JSCL). The registered office of JS Bank is situated at Shaheen Commercial Complex, Dr. Ziauddin Ahmed Road, Karachi and it operates with 39 (2007: 9) branches / sub-branches in Pakistan. The Pakistan Credit Rating Agency (Private) Limited (PACRA) has assigned the long term credit rating of the Bank at A- ("Single A minus") and the short term rating at A2 ("A Two") with a positive outlook.
- 1.2 Jahangir Siddiqui Investment Bank Limited (JSIBL) and its holding company, Jahangir Siddiqui & Company Limited (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.

Further, 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. The shareholders of JSIBL and JSBL in their respective extra ordinary general meetings held on July 31, 2006 approved a Scheme of Amalgamation (the Scheme) under Section 48 of the Banking Companies Ordinance, 1962. The Scheme was initially approved by the Securities and Exchange Commission of Pakistan (SECP) vide its letter No. SC/NBF-C(J)-R/JSIBL/2006/517 dated September 28, 2006. Subsequently, the Scheme was sanctioned by State Bank of Pakistan (SBP) vide its order dated December 02, 2006 and, in accordance therewith, the effective date of amalgamation was fixed at December 30, 2006.

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 banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon.

3. STATEMENT OF COMPLIANCE

- 3.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, and the provisions of and regulations / directives issued under the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984. In case requirements differ, the provisions of and regulations / directives issued under the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984, shall prevail.

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

3.3 Accounting standards not yet effective

The following new standards and amendments to approved accounting standards are applicable in Pakistan from the dates mentioned below against the respective standard or amendment:

Standard or Interpretation	Effective date (accounting periods beginning on or after)
IAS - 1 Presentation of Financial Statements (Revised)	January 01, 2009
IAS - 23 Borrowings Costs (Revised)	January 01, 2009
IAS - 27 Consolidated and Separate Financial Statements (Revised)	January 01, 2009
IFRS - 3 Business Combinations (Revised)	July 01, 2009
IFRS - 4 Insurance Contracts	January 01, 2009
IFRS - 8 Operating segments	January 01, 2009
IFRIC - 13 Customer Loyalty Programs	July 01, 2009
IFRIC - 15 Agreements for the construction of real estate	January 01, 2009
IFRIC - 16 Hedges of a Net Investment in Foreign Operation	October 01, 2008
IFRIC - 17 Distributions of Non - Cash Assets to Owners	July 01, 2009
IFRIC - 18 Transfer of Assets from Customers	July 01, 2009
IFAS - 2 Ijarah	January 01, 2009

The Bank considers that the above standards and interpretations are either not relevant or will have no material impact on its financial statements in the period of initial application other than to the extent of certain changes or enhancements in the presentation and disclosures in the financial statements to the extent that such presentation and disclosure requirements do not conflict with the format of financial statements prescribed by the SBP for banks.

In addition to the above, amendments and improvements to various accounting standards have also been issued by IASB which are generally effective for accounting periods beginning on or after January 01, 2009. The management is in the process of evaluating the impact of such amendments and improvements on the Bank's financial statements for the ensuing periods.

4. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except for held for trading and available for sale investments, and derivative financial instruments which are stated at fair value.

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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 these circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In the process of applying the Bank's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

- (a) classification of investments (note 6.4);
- (b) valuation of derivatives (note 6.5.2);
- (c) determining the residual values and useful lives of property and equipment (note 6.8);
- (d) impairment (note 6.9);
- (e) recognition of taxation and deferred tax (note 6.10);
- (f) provisions (note 6.11);
- (g) accounting for post employment benefits (note 6.13);
- (h) goodwill (note 6.16); and
- (i) segment reporting (note 6.17)

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6.1 Cash and cash equivalents

Cash and cash equivalents represent cash and balances with treasury banks, balances with other banks and 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:

Sale under repurchase obligation

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

Purchase under resale obligation

Securities purchased under agreement to resell (reverse repo) are included in lendings to financial institutions or advances as appropriate. The differential between the contracted price and resale price is amortized over the period of the contract and recorded as income.

Other borrowings

These 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.

6.3 Trade date accounting

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

6.4 Investments

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

Held for trading

These are securities, which are either acquired with the intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days. These are carried at fair value, with the related surplus / (deficit) being taken to profit and loss account.

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 amortized cost.

Available for sale

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

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 amortized cost. Unquoted securities are valued at cost less impairment, if any.

Further, in accordance with the requirements of the SBP, surplus / (deficit) on revaluation of the Bank's held for trading investments is taken to the profit and loss account. The surplus / (deficit) on investments classified as available for sale is kept in a separate account shown in the balance sheet below equity. The surplus / (deficit) arising on these securities is taken to the profit and loss account when actually realized upon disposal. The unrealized surplus / (deficit) arising on revaluation of quoted securities which are classified as 'held for trading' is taken to the profit and loss account.

Premium or discount on acquisition of investments is capitalized and amortized through the 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. However, in the current year, impairment loss has been treated as described in note 10.3. Provision for diminution in value of term finance certificates is made in accordance with the requirements of the Prudential Regulations issued by the SBP.

Profit and loss on sale of investments is included in income currently.

6.5 Financial instruments

6.5.1 Financial assets and financial liabilities

Financial instruments carried on the balance sheet includes cash and bank balances, lendings to financial institutions, investments, advances, certain receivables, bills payable, borrowings from financial institutions, deposits and other payables. The particular recognition methods adopted for significant financial assets and liabilities are disclosed in the individual policy statements associated with these assets and liabilities.

6.5.2 Derivative financial instruments

Derivative financial instruments are initially recognized 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 as liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account.

6.6 Off-setting of financial assets and financial liabilities

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

6.7 Advances

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

6.8 Operating fixed assets and depreciation

Property and equipment – owned

Owned assets are stated at cost less accumulated depreciation and impairment, if any, except capital work in progress, which is stated at cost.

Depreciation is charged to income using the straight-line method so as to write off the depreciable amount of the assets over their estimated useful lives at the rates given in note 12 to the financial statements. A full month's depreciation is charged in the month of addition and no depreciation is charged for the month in which the disposal is made. The assets residual values and useful lives are reviewed, and adjusted, if appropriate, at each balance sheet date.

Normal repairs and maintenance are charged to the profit and loss account as and when incurred.

An item of property and equipment is derecognized 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 recognized in the profit and loss account in the year the asset is derecognized.

Intangible

Intangible assets are stated at cost less accumulated amortization and impairment, if any, except for stock exchange membership card which is carried at cost less impairment, if any. Intangible assets are amortized from the month when the assets are available for use, using the straight line method, whereby the cost of the intangible asset is amortized over its estimated useful life over which economic benefits are expected to flow to the Bank. The useful life and amortization 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 amortized. 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.

6.9 Impairment

At each balance sheet date the Bank 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 greater of net selling price 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 recognized as an expense immediately.

6.10 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. 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. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

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.

6.11 Provisions

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

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

6.12 Staff retirement benefits

Defined contribution plan

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

Defined benefit plan

The Bank operates an unfunded gratuity scheme covering all employees, which requires contribution to be made in accordance with the actuarial recommendations. The most recent valuation in this regard was carried out as at December 31, 2008, using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised as income or expense when the net cumulative unrecognised actuarial gains and losses at the end of the previous reporting period exceed 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognised over the expected average remaining working lives of the employees participating in the plan.

6.13 Revenue recognition

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

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

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

6.14 Dividend and appropriation to reserves

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

6.15 Foreign currencies

Functional and presentation currency

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

Foreign currency transactions

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

Translation gains and losses

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

Commitments

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

6.16 Goodwill

Goodwill acquired in a business combination 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 acquiree are assigned to those units or groups of units.

6.17 Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

6.17.1 Business segments

Corporate finance

Corporate banking includes services provided in connection with mergers and acquisition, underwriting, privatization, securitization, research, debts (government, high yield), equity, syndication, IPO and secondary private placements.

Trading and sales

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

Retail banking

It includes retail lending and deposits, banking services, trust and estates, private lending and deposits, banking service, trust and estates investment advice, merchant / commercial / corporate cards and private labels and retail.

Commercial banking

Commercial banking includes project finance, real estate, export finance, trade finance, factoring, leasing, lending, guarantees, bills of exchange and deposits.

6.17.2 Geographical segment

The Bank has 39 (2007: 9) branches / sub-branches and operates only in Pakistan.

6.18 Assets acquired in satisfaction of claims

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

6.19 Fiduciary assets

Assets held in a fiduciary capacity are not treated as assets of the Bank in balance sheet.

		December 31, 2008	December 31, 2007
		— Rupees in '000 —	
7. CASH AND BALANCES WITH TREASURY BANKS	Note		
In hand			
Local currency		245,739	101,619
Foreign currencies		108,961	43,403
		354,700	145,022
With State Bank of Pakistan in			
Local currency current account		662,357	709,692
Foreign currency accounts			
- Cash reserve account - non remunerative	7.1	61,301	54,250
- Special cash reserve account - remunerative	7.2	181,927	54,250
- Local US dollar instruments collection and settlement account - remunerative	7.3	24,942	13,715
		930,527	831,907
		20	306
National Prize Bonds		1,285,247	977,235

7.1 This represents current account maintained with SBP under the requirements of BSD Circular No. 18 dated March 31, 2001.

7.2 This represents deposit account maintained with SBP under the requirements of BSD Circular No. 18 dated March 31, 2001. Profit rates on this deposit account are fixed on a monthly basis by SBP. It carries profit ranging between 0.90% and 3.60% (2007: 3.71% and 4.72%) per annum.

7.3 This represents mandatory reserve maintained to facilitate collection and settlement and to settle foreign currency accounts under FE-25, as prescribed by the SBP. Profit rates on this account are fixed on a monthly basis by SBP. It carries profit ranging between 0.90% and 3.60% (2007: 3.71% and 4.72%) per annum.

8. BALANCES WITH OTHER BANKS

	Note	December 31,	
		2008	2007
Rupees in '000			
In Pakistan			
On current accounts		88,334	36,205
On deposit accounts	8.1	155	159
		88,489	36,364
Outside Pakistan			
On current accounts		34,035	92,843
On deposit accounts	8.2	549,747	124,872
		583,782	217,715
		672,271	254,079

8.1 These carry mark-up at the rate of 3.50% (2007: 3.56%) per annum.

8.2 This represents term placements outside Pakistan, carrying interest rates ranging between 1.48% and 3.44% (2007: 2.60% and 3.51%) per annum.

9. LENDINGS TO FINANCIAL INSTITUTIONS

		December 31, 2008	
Call money lendings	9.1	525,000	2,115,000
Repurchase agreement lendings (Reverse Repo)	9.2	880,210	1,486,211
		1,405,210	3,601,211

9.1 These represent unsecured call money lendings to financial institutions, carrying interest at the rates ranging between 13.50% and 21.00% (2007: 9.85% and 11.50%) per annum, with maturities up to February 2009.

9.2 These are short-term lendings to various financial institutions as shown in note 9.4 below.

9.3 Particulars of lendings

	December 31, 2008	
In local currency	1,405,210	3,601,211

9.4 Securities held as collateral against lendings to financial institutions

	Note	December 31, 2008		
		Held by bank	Further given as collateral	Total
Rupees in '000				
Market Treasury Bills	9.4.1	692,700	99,510	792,210
Term Finance Certificate	9.4.2	88,000	-	88,000
		780,700	99,510	880,210

	Note	December 31, 2007		
		Held by bank	Further given as collateral	Total
Rupees in '000				
Market treasury bills		1,486,211	-	1,486,211

9.4.1 This has been purchased under resale agreements at a rate of 14.90% (2007: rates ranging between 9.90% and 9.95%) per annum with maturity in January 2009. The fair value of the security amounted to Rs.792,545 (2007: Rs.1,486,660) million as at December 31, 2008.

9.4.2 This has been purchased under resale agreements at rate of 21.00% (2007: Nil) per annum with maturity in January 2009. The fair value of the security amounted to Rs.88.00 (2007: Nil) million as at December 31, 2008.

10. INVESTMENTS

	Note	December 31, 2008		
		Held by bank	Given as collateral	Total
Rupees in '000				
10.1 Investments by type				
Held for trading securities				
Ordinary shares of listed companies	10.1.1	21,186	-	21,186
Close end mutual funds	10.1.1	5	-	5
		21,191	-	21,191
Available for sale securities				
Market Treasury Bills		2,851,240	-	2,851,240
Pakistan Investment Bonds		448,672	-	448,672
Ordinary shares of listed companies		450,030	-	450,030
Preference shares of listed company		95,503	-	95,503
Term Finance Certificates-listed		688,019	-	688,019
Term Finance Certificates-unlisted		466,533	-	466,533
Sukuk Certificates		110,000	-	110,000
Closed end mutual funds		321,511	-	321,511
Open end mutual funds		275,000	-	275,000
Advance in respect of investments		100,000	-	100,000
		5,806,508	-	5,806,508
Total investments at cost		5,827,699	-	5,827,699
Less: Provision for diminution in value of investments		-	-	-
Investments (net of provision)		5,827,699	-	5,827,699
Deficit on revaluation of held for trading securities		(1,307)	-	(1,307)
Deficit on revaluation of available for sale securities		(706,433)	-	(706,433)
Total investments at market value		5,119,959	-	5,119,959

10.1.1 These shares / mutual fund units were given by National Clearing Company of Pakistan Limited (NCCPL) under the CFS MK-II square-up programme as agreed among the Financiers, Karachi Stock Exchange and NCCPL on December 25, 2008.

Investments by type	December 31, 2007		
	Held by bank	Rupees in '000 Given as collateral	Total
Held for trading securities			
Pakistan Investment Bonds	46,054	-	46,054
Ordinary shares of listed companies	69,313	-	69,313
	115,367	-	115,367
Available for sale securities			
Market Treasury Bills	2,920,855	472,370	3,393,225
Pakistan Investment Bonds	652,604	-	652,604
Ordinary shares of listed companies	352,994	-	352,994
Preference shares of listed company	95,503	-	95,503
Term Finance Certificates-listed	462,275	-	462,275
Term Finance Certificates-unlisted	677,707	-	677,707
Sukuk Certificates	15,000	-	15,000
Closed end mutual funds	293,349	-	293,349
Advance in respect of investments	200,000	-	200,000
	5,670,287	472,370	6,142,657
Total investment at cost	5,785,654	472,370	6,258,024
Less: Provision for diminution in value of investments	(754)	-	(754)
Investments (net of provision)	5,784,900	472,370	6,257,270
Deficit on revaluation of held for trading securities	(4,123)	-	(4,123)
Surplus on revaluation of available for sale securities	56,367	22	56,389
Total investments at market value	5,837,144	472,392	6,309,536

10.2 Investments by Segments

Investments by Segments	Note	December 31, 2008	December 31, 2007
		Rupees in '000	
Federal government securities:			
Market Treasury Bills	10.2.1	2,851,240	3,393,225
Pakistan Investment Bonds	10.2.2	448,672	698,658
Fully paid ordinary shares			
Listed companies	10.2.3	471,216	422,307
Fully Paid Preference Shares			
Listed company	10.2.4	95,503	95,503
Term finance certificates			
Term Finance Certificates – listed	10.2.5	688,019	462,275
Term Finance Certificates – unlisted	10.2.6	466,533	677,707
Sukuk Certificates	10.2.7	110,000	15,000
Mutual funds			
Closed end mutual funds	10.2.8	321,516	293,349
Open end mutual funds	10.2.9	275,000	-
Advance in respect of investments	10.2.10	100,000	200,000
Total investments at cost brought forward		5,827,699	6,258,024

Note	December 31, 2008	December 31, 2007
	Rupees in '000	
Total investments at cost carried forward	5,827,699	6,258,024
Less: Provision for diminution in value of investments	-	(754)
Investments (net of provisions)	5,827,699	6,257,270
(Deficit) on revaluation of held for trading securities	(1,307)	(4,123)
(Deficit) / surplus on revaluation of available for sale securities	(706,433)	56,389
Total investments at market value	5,119,959	6,309,536

10.2.1 Market treasury bills are for a period of three to twelve months and carry a yield of 9.84% to 13.85% (2007: 8.98% to 9.40%) per annum with maturity up to June 2009. Market treasury bills are eligible for re-discounting with the State Bank of Pakistan.

10.2.2 These represent Pakistan Investment Bonds (PIBs) with interest income receivable semi-annually at the rate ranging between 7.00% and 11.00% (2007: 9.43% and 11.34%) per annum with a maximum remaining term of 8.6 years.

10.2.3 Details of investment in Ordinary shares - listed

Held for trading	No. of shares of Rs.10 each 2008	No. of shares of Rs.10 each 2007	Total paid up value	Cost		Market value	
				2008	2007	2008	2007
Rupees in '000							
Adamjee Insurance Company Limited	110	20,000	1	12	7,723	11	7,167
Al Abbas Cement Limited	196	-	2	1	-	1	-
Allied Bank Limited	281	-	3	9	-	9	-
Arif Habib Bank Limited	2,237	-	22	8	-	12	-
Arif Habib Limited	86	-	1	6	-	7	-
Arif Habib Securities Limited	289	-	3	13	-	12	-
Askari Bank Limited	2,267	-	23	37	-	33	-
Attock Petroleum Limited	15	-	1	2	-	2	-
Attock Refinery Limited	111	-	1	7	-	7	-
Azgard Nine Limited - a related party	685	-	7	12	-	11	-
Bank Al Habib Limited	20	-	1	1	-	1	-
Bank Alfalah Limited	11,304	50,000	113	205	2,893	189	2,685
BOC Pakistan Limited	17	-	1	2	-	2	-
Bosicor Pakistan Limited	11,639	-	116	38	-	54	-
Crescent Steel and Allied Product Limited	287	-	3	5	-	5	-

	No. of	No. of	Total			Market	Market
	shares of	shares of	paid up	Cost	Cost	value	value
	Rs.10 each	Rs.10 each	value	2008	2007	2008	2007
	2008	2007		Rupees in '000			
Held for trading							
D.S. Industries Limited	1,184	-	12	15	-	18	-
Dawood Lawrencepur Limited	380	-	4	17	-	19	-
Dewan Cement Limited	1,072	-	11	4	-	3	-
Dewan Salman Fibre Limited	17,964	-	180	17	-	25	-
DG Khan Cement Limited	114	-	1	3	-	2	-
Dost Steel Limited	4,250	-	43	35	-	34	-
EFU General Insurance Limited - a related party	166	-	2	20	-	22	-
Engro Chemical Pakistan Limited	43,326	38,800	433	4,489	10,771	4,179	10,311
Fauji Cement Company Limited	6,400	-	64	22	-	30	-
Fauji Fertilizer Bin Qasim Company Limited	466	100,000	5	6	4,630	6	4,205
Fauji Fertilizer Company Limited	944	-	9	53	-	55	-
Faysal Bank Limited	872	-	9	12	-	10	-
First National Equities Limited	153	-	2	7	-	8	-
Habib Bank Limited	389	-	4	31	-	29	-
Honda Atlas Cars Pakistan Limited	729	-	7	10	-	8	-
Hub Power Company Limited	532	-	5	6	-	7	-
ICI Pakistan Limited	52	-	1	4	-	4	-
Indus Motors Company Limited	12	-	1	1	-	1	-
Invest and Finance Securities Limited	226	-	2	1	-	1	-
Jahangir Siddiqui & Co. Limited - parent company	1,482	-	15	83	-	77	-
Javed Omer Vohra & Company Limited	4,758	-	48	54	-	43	-
JS Investments Limited - a related party	1,802	-	18	72	-	78	-
Kot Addu Power Company Limited	66	-	1	2	-	2	-
Lucky Cement Limited	102	-	1	3	-	3	-
Maple Leaf Cement Company Limited	2,755	-	28	7	-	11	-
Mari Gas Company Limited	5	-	1	1	-	1	-
MCB Bank Limited	19,777	25,000	198	2,673	10,742	2,488	9,999
Meezan Bank Limited	31	-	1	1	-	1	-
National Bank of Pakistan Limited	7,885	25,000	79	426	6,235	397	5,804
Netsol Technologies Limited	417	-	4	11	-	11	-
NIB Bank Limited	5,168	-	52	15	-	24	-
Nishat (Chunian) Limited	235	-	2	2	-	2	-
Nishat Mills Limited	309	-	3	7	-	7	-
Oil and Gas Development Limited	317	25,000	3	17	3,140	16	2,986
PACE Pakistan Limited	4,368	-	44	47	-	38	-
Packages Limited	6	-	1	1	-	1	-

	No. of	No. of	Total			Market	Market
	shares of	shares of	paid up	Cost	Cost	value	value
	Rs.10 each	Rs.10 each	value	2008	2007	2008	2007
	2008	2007		Rupees in '000			
Held for trading							
Pak Electron Limited	219	-	2	5	-	5	-
Pak Refinery Limited	19	-	1	2	-	2	-
Pakistan Cement Company Limited	11,371	-	114	23	-	36	-
Pakistan International Container Terminal Limited - a related party	4	-	1	1	-	1	-
Pakistan Oilfield Limited	27,410	-	274	3,017	-	2,809	-
Pakistan Petroleum Limited	50,545	50,000	505	5,462	12,914	5,086	12,253
Pakistan PTA Limited	13,358	-	134	15	-	21	-
Pakistan Reinsurance Company Limited	792	-	8	20	-	19	-
Pakistan State Oil Company Limited	24,102	-	241	3,743	-	3,485	-
Pakistan Telecommunication Company Limited	296	-	3	5	-	5	-
Pervez Ahmed Securities Limited	1,453	-	15	10	-	5	-
Pioneer Cement Limited	78	-	1	2	-	2	-
Saudi Pak Commercial Bank Limited	217	-	2	1	-	1	-
Searie Pakistan Limited	261	-	3	15	-	17	-
Sitara Peroxide Limited	6,805	-	68	109	-	123	-
Sonari Bank Limited	184	-	2	2	-	2	-
Sui Northern Gas Pipelines Limited	139	-	1	2	-	3	-
Sui Southern Gas Company Limited	2,856	-	29	33	-	30	-
Telecard Limited	23,569	-	236	31	-	47	-
Thatta Cement Company Limited	90	-	1	1	-	1	-
The Bank of Punjab Limited	1,671	100,000	17	25	10,265	22	9,780
TRG Pakistan Limited	30,366	-	304	37	-	54	-
United Bank Limited	2,038	-	20	81	-	75	-
World call telecom Limited	3,882	-	39	11	-	12	-
Available for sale securities							
Adamjee Insurance Company Limited	70,500	-	705	22,164	-	7,180	-
Arif Habib Securities Limited	125,000	-	1,250	18,480	-	5,258	-
Atlas Bank Limited	900,000	-	9,000	14,143	-	2,988	-
Azgard Nine Limited - a related party	2,600,000	4,300,000	26,000	96,036	158,829	42,328	194,575
Engro Chemical Pakistan Limited	150,000	169,900	1,500	41,354	48,096	14,469	45,151
Lucky Cement Limited	425,000	-	4,250	46,887	-	13,290	-
MCB Bank Limited	65,000	-	650	22,719	-	8,178	-
National Bank of Pakistan	190,000	150,000	1,900	31,401	35,189	9,561	34,823
Oil and Gas Development Limited	100,000	225,000	1,000	13,122	26,044	4,999	26,876
Pak Reinsurance Company Limited	200,088	-	2,001	11,638	-	4,742	-
Pakistan Oilfield Limited	81,000	-	810	23,371	-	8,302	-

	No. of shares of Rs.10 each	No. of shares of Rs.10 each	Total paid up value	Cost	Cost	Market value	Market value
	2008	2007		2008	2007	2008	2007
Rupees in '000							
Available for sale securities							
Pakistan Petroleum Limited	209,000	190,000	2,090	46,954	47,778	21,030	46,560
Pakistan State Oil Limited	35,000	-	350	16,509	-	5,060	-
United Bank Limited	340,000	223,500	3,400	45,252	37,058	12,549	38,643
				<u>471,216</u>	<u>422,307</u>	<u>179,814</u>	<u>451,818</u>

10.2.4 Details of investment in preference shares - listed

	No. of shares (note 10.2.4.1)	No. of shares	Total paid up value	Cost	Cost	Market value	Market value
	2008	2007		2008	2007	2008	2007
Rupees in '000							
Chenab Limited - 9.25% per annum Cumulative preference shares	13,357,000	13,357,000	133,570	95,503	95,503	109,127	94,434

10.2.4.1 The Bank has an option to get the shares redeemed, in part, on yearly basis after four years from the date of issuance of cumulative preference shares. The investee company also has option to redeem, in part, cumulative preference shares after August 2008.

10.2.5 Details of investment in Term Finance Certificates - listed

	No. of certificates	No. of certificates	Rating	Cost	Cost	Market value	Market value
	2008	2007		2008	2007	2008	2007
Rupees in '000							
Askari Bank Limited	2,700	-	AA	13,481	-	13,588	-
Bank Alfiah Limited	20,000	-	AA-	99,846	-	96,761	-
Crescent Standard Investment Bank Limited - overdue, unsecured	-	1,000	-	-	754	-	-
Engro Chemical Pakistan Limited	55,650	79,017	AA	278,139	395,085	267,792	400,089
Faysal Bank Limited	3,341	-	AA-	16,698	-	16,979	-
Ittehad Chemicals Limited	-	2,000	-	-	3,347	-	3,339
MCB Bank Limited - unsecured	-	46	-	-	69	-	70
NIB Bank Limited	7,998	-	A	39,982	-	36,863	-
Pak Arab Fertilizer Limited - 2nd issue	32,550	-	AA	163,046	-	155,269	-
Pakistan Mobile Communication (Private) Limited	-	40	-	-	206	-	211
Standard Chartered Pakistan Limited - 1st Issue	-	1,047	-	-	1,723	-	1,741
Trust Leasing & Investment Bank Limited - unsecured	-	2,000	-	-	3,841	-	3,842
United Bank Limited - unsecured	17,078	12,182	AA-	76,827	57,250	68,246	56,844
				<u>688,019</u>	<u>462,275</u>	<u>655,498</u>	<u>466,136</u>

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

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

Name of the Company	Repayment frequency	Profit	
		Rate per annum	Maturity Date
Askari Bank Limited	Semi-annually	6 months KIBOR ask rate plus 1.50%	February 04, 2013
Bank Alfiah Limited	Semi-annually	6 months KIBOR ask rate plus 1.50%	November 23, 2012
Engro Chemical Pakistan Limited	Semi-annually	6 Months KIBOR offer rate plus 1.55%	November 30, 2015
Faysal Bank Limited	Semi-annually	6 months KIBOR ask rate plus 1.40%	November 12, 2014
NIB Bank Limited	Semi-annually	6 months KIBOR ask rate plus 1.15%	March 05, 2016
Pak Arab Fertilizer Limited - 2nd Issue	Semi-annually	6 months KIBOR ask rate plus 1.50%	February 28, 2013
United Bank Limited	Semi-annually	9.49%	March 15, 2013

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

Name of the Company	No. of certificates	No. of certificates	Rating	Face value per certificate Rupees	Cost	Cost
	2008	2007			2008	2007
Rupees in '000						
Escorts Investment Bank Limited	10	10	N/A	5,000,000	16,653	33,307
First Dawood Investment Bank Limited	10,000	10,000	AA-	5,000	50,000	50,000
Kunjah Textile Mills Limited	-	1,600	-	-	-	8,000
Orix Leasing Pakistan Limited	20,000	-	AA+	5,000	100,000	-
Pakistan Mobile Communication (Private) Limited	-	2,850	-	-	-	11,400
Trakker (Private) Limited	-	100,000	-	-	-	25,000
UIG (Private) Limited	-	25	-	-	-	250,000
Related parties						
Azzard Nine Limited	30,000	30,000	AA-	5,000	149,940	150,000
Pak American Fertilizer Limited	30,000	30,000	AA-	5,000	149,940	150,000
					<u>466,533</u>	<u>677,707</u>

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

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

Name of the Company	Repayment frequency	Profit	
		Rate per annum	Maturity Date
Escorts Investment Bank Limited (Chief Executive: Mr. Rashid Mansur)	Semi-annually	2.75% over six months KIBOR with floor at 5% and cap at 10%.	September 27, 2009
First Dawood Investment Bank Limited (Chief Executive: Mr. Rafique Dawood)	Semi-annually	6 month KIBOR offer rate plus 1.60 %.	September 11, 2012
Orix Leasing Pakistan Limited (Chief Executive: Mr. Humayun Murad)	Semi-annually	6 month KIBOR ask rate plus 1.40%.	January 15, 2013
Related parties Azgard Nine Limited (Chief Executive: Mr. Ahmed H. Shaikh)	Semi-annually	6 Months KIBOR offer rate plus 2.25%.	December 04, 2014
Pak American Fertilizer Limited (Chief Executive: Mr. Jaudet Bilal)	Semi-annually	6 month KIBOR offer rate plus 1.75%.	November 29, 2014

10.2.7 Sukuk certificates

Name of the Company	No. of certificates 2008	No. of certificates 2007	Rating	Face value per certificate (Rupees)	Cost	
					2008	2007
Karachi Shipyard and Engineering Works Limited	3,000	3,000	N/A	5,000	15,000	15,000
Sitara Chemical Industries Limited	19,000	-	N/A	5,000	95,000	-
					<u>110,000</u>	<u>15,000</u>

10.2.7.1 Other particulars of Sukuk Certificates are as follows:

Name of the Company	Repayment frequency	Profit	
		Rate per annum	Maturity Date
Karachi Shipyard and Engineering Works Limited	Semi-annually	6 months KIBOR ask rate plus 0.4%	November 02, 2015
Sitara Chemical Industries Limited	Semi-annually	3 months KIBOR ask rate plus 1.0%	January 02, 2013

10.2.8 Closed end mutual funds

Name of the Fund	No. of certificates 2008	No. of certificates 2007	Rating	Face value per certificate (Rupees)	Cost		Market value	
					2008	2007	2008	2007
Held for trading								
Pakistan Premier Fund	198	-	N/A	10	1	-	1	-
PICIC Growth Fund	552	-	N/A	10	4	-	3	-
Available for sale								
First Dawood Mutual Fund	3,519,809	309	4-Star	10	28,164	2	7,603	2
JS Value Fund - a related party	8,745,668	8,745,668	5-Star	10	99,701	99,701	39,268	123,314
UTP Large Capital Fund - a related party	24,205,790	24,205,790	4-Star	10	193,646	193,646	55,673	196,067
					<u>321,516</u>	<u>293,349</u>	<u>102,548</u>	<u>319,383</u>

10.2.9 Open end mutual funds

Name of the Fund	No. of Units 2008	No. of Units 2007	Rating	Net asset value per unit (Rupees)	Cost		Market value	
					2008	2007	2008	2007
Related parties								
Crosby Dragon Fund	1,521,444	-	3-Star	67.34	250,000	-	102,454	-
KASB Stock Market Fund	420,663	-	N/A	22.46	25,000	-	9,448	-
					<u>275,000</u>	<u>-</u>	<u>111,902</u>	<u>-</u>

10.2.10 This represents advance paid for subscription of privately placed Term Finance Certificates of Allied Bank Limited, amounting to Rs.100 million, having a tenor of ten years from the date of issue, with principal repayments in semi annual installments carrying mark-up at the rate of six months KIBOR offer rate plus 0.85%.

10.3 During the year, the stock exchange introduced 'floor mechanism' in respect of prices of equity securities based on the closing prices as prevailing on August 27, 2008. Under the 'floor mechanism', the individual security price of equity securities could vary within normal circuit breaker limit, but not below the floor price level. The mechanism was effective from August 28, 2008 and remained in place until December 15, 2008. During this period, trading of securities effectively remained suspended on the stock exchanges. The trading resumed on December 15, 2008, however, the trading volumes upto December 31, 2008 were significantly lower as compared to the volumes before the institution of 'floor mechanism'. However, pursuant to the BSD Circular Letter No. 2 dated January 27, 2009 issued by the SBP, the equity securities held by the Bank have been valued at the prices quoted on the stock exchanges as of December 31, 2008.

Furthermore, pursuant to the BSD Circular No. 4 dated February 13, 2009 of the SBP, the impairment loss, amounting to Rs.672.162 million, resulting from the valuation of listed equity securities held under 'Available-for-sale' category of investments as of December 31, 2008 has not been recognised in the profit and loss account and has been taken to 'Deficit on revaluation of assets' account as shown on the balance sheet. The said impairment loss is required to be taken to the profit and loss account in the year 2009 on a quarterly basis after adjustment for the effects of price movements in that year. However, for the purposes of distribution of dividend, the impairment loss as referred above shall be treated as a charge to the profit and loss account.

The recognition of impairment loss in accordance with the requirement of accounting standards would have had the following effect on these financial statements:

	December 31, 2008 (Rupees in '000)
Increase in provision of diminution in the value of investments	672,162
Decrease in tax charge for the year	185,656
Profit after tax would have resulted in loss after tax of	431,736
Earning per share would have resulted in loss per share of Rs.	(0.83)
Decrease in deficit on revaluation of assets - net of tax	486,506
Unappropriated profit would result in accumulated loss of	403,808

11. ADVANCES

	December 31, 2008	December 31, 2007
Note	— Rupees in '000 —	
Loans, cash credit, running finances, etc. - in Pakistan	9,577,349	4,452,950
Bills discounted and purchased (excluding treasury bills)		
payable in Pakistan	56,786	147,938
payable outside Pakistan	143,375	-
	200,161	147,938
Financing in respect of continuous funding system	51,333	1,992,747
Advances - gross	9,828,843	6,593,635
Provision for non-performing advances - specific	(122,085)	(113,604)
Provision for non-performing advances - general	(7,559)	(4,068)
	(129,644)	(117,672)
Advances - net of provision	9,699,199	6,475,963
11.1 Particulars of advances (gross)		
11.1.1 In local currency	9,560,257	6,500,635
In foreign currency	268,586	93,000
	9,828,843	6,593,635
11.1.2 Short term (for up to one year)	8,267,996	5,793,772
Long term (for over one year)	1,560,847	799,863
	9,828,843	6,593,635
11.2 The fair value of the securities held in respect of continuous funding system as on December 31, 2008 amounted to Rs.22,774 (2007: Rs.1,887.687) million.		
11.3 Advances include Rs.455.504 (2007: Rs.143.604) million which have been placed under non-performing status as detailed below:		

Category of Classification

	December 31, 2008			Provision required	Provision held
	Domestic	Overseas	Total		
	— Rupees in '000 —				
Other assets especially mentioned	-	-	-	-	-
Substandard	351,900	-	351,900	18,481	18,481
Doubtful	-	-	-	-	-
Loss	103,604	-	103,604	103,604	103,604
	455,504	-	455,504	122,085	122,085

Category of Classification

	December 31, 2007			Provision required	Provision held
	Domestic	Overseas	Total		
	Rupees in '000				
Other assets especially mentioned	-	-	-	-	-
Substandard	40,000	-	40,000	10,000	10,000
Doubtful	-	-	-	-	-
Loss	103,604	-	103,604	103,604	103,604
	143,604	-	143,604	113,604	113,604

11.4 Particulars of provision against non-performing advances

	December 31, 2008			December 31, 2007		
	Specific	General	Total	Specific	General	Total
	Rupees in '000			Rupees in '000		
Opening balance	113,604	4,068	117,672	108,699	-	108,699
Charge for the year	10,409	3,491	13,900	10,000	4,068	14,068
Amounts written off	-	-	-	-	-	-
Reversals	(1,928)	-	(1,928)	(5,095)	-	(5,095)
	8,481	3,491	11,972	4,905	4,068	8,973
Closing Balance	122,085	7,559	129,644	113,604	4,068	117,672

	December 31, 2008			December 31, 2007		
	Specific	General	Total	Specific	General	Total
	Rupees in '000			Rupees in '000		
In local currency	122,085	7,559	129,644	113,604	4,068	117,672
In foreign currencies	-	-	-	-	-	-
	122,085	7,559	129,644	113,604	4,068	117,672

11.4.1 The SBP, vide BSD Circular No. 02, dated January 02, 2009, has amended Prudential Regulations in respect of provisioning against non-performing advances. The revised regulations that are effective from December 31, 2008, allow the benefit of 30 percent of Forced Sale Value (FSV) of pledged stocks and mortgaged commercial and residential property held as collateral by the Bank in determining the amount of provision against non-performing advances. Accordingly, the above change in regulation has resulted in reduced provisioning by Rs.3.824 million against non-performing advances and a consequent increase in profit after taxation by Rs.3.824 million.

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

11.5 Details of loan write off of Rs.500,000 and above

There have been no loan write offs or any other financial relief allowed to a person during the year ended December 31, 2008 of Rs.500,000 or above that require disclosure in terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962.

	Note	December 31,	December 31,
		2008	2007
		Rupees in '000	

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:

Balance at the beginning of the year	77,112	1,052
Loans granted during the year	115,098	88,381
Repayments	(12,017)	(12,321)
Balance at the end of the year	180,193	77,112

12. OPERATING FIXED ASSETS

Capital work-in-progress	12.1	11,442	90,440
Property and equipment	12.2	864,261	295,179
Intangible assets	12.3	1,621,180	1,569,741
		2,496,883	1,955,360

12.1 Capital work-in-progress

Property and equipment

Civil works	2,855	10,590
Advance for purchase of vehicles	2,594	5,458
Advance for purchase of equipment	5,993	1,655

Intangible

Computer software	-	72,737
	11,442	90,440

12.2 Property and equipment

	Cost			Accumulated Depreciation			Rate %
	As at January 1, 2008	Additions during the year	Disposals during the year	As at December 31, 2008	For the year 2008	As at December 31, 2008	
	Rupees in '000						
Building on lease hold land - note 12.2.1	100,138	146,542	-	246,680	2,657	-	239,484
Lease hold improvements	83,253	170,016	(4,070)	249,199	20,649	(3,342)	220,129
Furniture and fixture	31,040	41,699	(1,222)	71,517	14,376	(1,162)	54,089
Electrical, office and computer equipments	135,338	227,304	(7,798)	354,844	78,115	(7,539)	245,952
Vehicles	75,161	64,450	(2,442)	137,169	13,954	(1,175)	104,607
	424,930	650,011	(15,532)	1,059,409	129,751	(13,218)	864,261

	Cost			Accumulated Depreciation			Rate %
	As at January 1, 2007	Additions during the year	Disposals during the year	As at December 31, 2007	For the year 2007	As at December 31, 2007	
	Rupees in '000						
Building on lease hold land	40,138	60,000	-	100,138	-	2,657	97,481
Lease hold improvements	31,626	51,527	-	83,253	16,958	3,691	62,604
Furniture and fixture	20,878	10,230	(68)	31,040	12,196	(23)	16,664
Electrical, office and computer equipments	85,329	57,495	(7,486)	135,338	75,985	(7,062)	57,223
Vehicles	18,302	73,594	(16,735)	75,161	12,962	(11,121)	61,207
	196,273	252,946	(24,289)	424,930	118,101	(18,206)	295,179

12.2.1 Included in cost of property and equipment are fully depreciated items still in use having cost of Rs.70.525 (2007: Rs.74.059) million.

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

Particulars	Acquisition cost	Accumulated depreciation	Written down value	Sale proceeds	Sale Profit / (loss)	Mode of disposal	Buyer's particulars
Motor Vehicles							
Suzuki Cultus	683	46	637	683	46	Insurance claim	EFU General Insurance - a related party Central Division, 1st Floor, Kashif Centre, Shakra-e-Faisal, Karachi
Toyota Corolla	969	339	630	900	270	Insurance claim	EFU General Insurance - a related party Central Division, 1st Floor, Kashif Centre, Shakra-e-Faisal, Karachi
Lease hold improvement							
Renovation work	4,070	3,343	727	-	(727)	Write-off	

13.1 Included herein is a sum of Rs.25,125 (2007: Rs.25,125) million representing deferred tax asset relating to Jahangir Siddiqui Investment Bank Limited in respect of tax losses, expected to be available for carry forward and set off against the Income of the Bank in terms of Section 57 A of the Income Tax Ordinance, 2001. In addition, it also includes deferred tax asset set up in respect of current year's tax loss.

13.2 Consistent with last year, deferred tax asset, amounting to Rs.495,420 (2007: Rs.529,217) million, on unused tax losses of American Express Bank Limited - Pakistan Branch, has not been recognized in these financial statements as the Bank is of the view that due to its operations being in the initial stages, these losses would be accounted for as and when the same are utilised. At the year end, these unused tax losses amounted to Rs.1,415,486 (2007: Rs.1,512,049) million.

14. OTHER ASSETS	Note	December 31,	December 31,
		2008	2007
----- Rupees in '000 -----			
Income / mark-up accrued in local currency		349,156	190,002
Income / mark-up accrued in foreign currency		2,963	1,374
Advances, deposits, advance rent and other prepayment		129,037	87,264
Taxation (payments less provision)		91,503	86,956
Receivable against sale of marketable securities		65,797	242,532
Stationery and stamps on hand		1,089	968
Prepaid exchange risk fee		504	508
Trustee fee receivable from a related party		202	866
Unrealised gain on forward foreign exchange contracts		20,482	9,014
Others		16,654	8,359
		<u>677,387</u>	<u>627,843</u>
15. BILLS PAYABLE			
In Pakistan		119,875	719,709
Outside Pakistan		8,047	7,470
		<u>127,922</u>	<u>727,179</u>
16. BORROWINGS			
In Pakistan		534,510	471,155
Outside Pakistan		3,145	9,992
		<u>537,655</u>	<u>481,147</u>
16.1 Particulars of borrowings with respect to currencies			
In local currency		534,510	471,155
In foreign currencies		3,145	9,992
		<u>537,655</u>	<u>481,147</u>
16.2 Details of borrowings from financial institutions			
Secured			
Borrowing from SBP under export refinancing scheme	16.2.1	50,000	-
Repurchase agreement borrowing	16.2.2	99,510	471,155
		<u>149,510</u>	<u>471,155</u>
Unsecured			
Call borrowing	16.2.3	385,000	-
Overdrawn nostro accounts	16.2.4	3,145	9,992
		<u>388,145</u>	<u>9,992</u>
		<u>537,655</u>	<u>481,147</u>

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 within six months upto June 2009 and carry mark-up rate of 6.5% per annum.

16.2.2 This represents collateralized borrowing from a commercial bank, against market treasury bills, carrying mark-up at the rate of 14.90% (2007: 9.37%) per annum and would mature in January 02, 2009 (2007: February 2008).

16.2.3 These represent call money borrowing from financial institutions, carrying interest at the rates ranging between 12.75% and 15.65% (2007: Nil) per annum, with maturities up to February 2009.

16.2.4 This represents borrowings of Rs.3,145 (2007: Rs.9,992) million from Commercial Banks, outside Pakistan.

17. DEPOSITS AND OTHER ACCOUNTS	Note	December 31,	December 31,
		2008	2007
----- Rupees in '000 -----			
Customers			
Fixed deposits		5,747,372	6,354,276
Savings deposits		2,632,729	3,052,699
Current accounts - non-remunerative		2,640,939	1,580,919
Margin account		14,351	11,633
		<u>11,035,391</u>	<u>10,999,527</u>
Financial institutions			
Remunerative deposits		4,208,938	2,588,667
Non-remunerative deposits		49,944	91,704
		<u>4,258,882</u>	<u>2,680,371</u>
		<u>15,294,273</u>	<u>13,679,898</u>
17.1 Particulars of deposits			
In local currency		14,053,862	12,528,073
In foreign currencies		1,240,411	1,151,825
		<u>15,294,273</u>	<u>13,679,898</u>
18. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		188,372	91,897
Mark-up / return / interest payable in foreign currency		2,231	374
Accrued expenses	18.1	87,692	98,499
Payable in respect of defined benefit plan	33	17,065	7,239
Retention money		45,229	5,481
Customer insurance		17,908	8,323
Branch adjustment account		-	5,199
Unclaimed dividends		4,302	4,328
Government duties		2,984	1,189
Others		26,332	23,192
		<u>392,115</u>	<u>245,721</u>

18.1 Included herein is a sum of Rs.0.242 million (2007: Rs.0.847) million payable to related parties.

19. SHARE CAPITAL

	December 31, 2008	December 31, 2007	Note	December 31, 2008 Rupees in '000	December 31, 2007 Rupees in '000
19.1 Authorized Capital					
	1,200,000,000	550,050,000	Ordinary shares of Rs.10 each	12,000,000	5,500,500
19.2 Issued, subscribed and paid-up capital					
Ordinary shares of Rs.10 each					
	293,071,893	234,221,250	Issued for cash	2,930,719	2,342,212
	276,412,500	276,412,500	Issued for consideration other than cash	2,764,125	2,764,125
	<u>569,484,393</u>	<u>510,633,750</u>		<u>5,694,844</u>	<u>5,106,337</u>

19.2.1 During the current year, the Board of Directors of the Bank in its meeting held on September 29, 2008 approved issuance of 20% right shares at par value i.e. Rs.1,021,267 million (102,126,750 shares). Upto last date of payment for right shares i.e. December 05, 2008 total subscription received amounted to Rs.588,506 million in respect of 58,850,643 shares and, 43,276,107 shares remained unsubscribed. The Board in its meeting held on December 19, 2008 approved the allotment of 58,850,643 right shares to the shareholders who had made payments on or before the last date.

Further, exercising its powers vested under Section 86(7) of the Companies Ordinance, 1984 the Board in respect of 43,276,107 un-subscribed right shares authorised the Chairman and the President of the Bank to allot these shares to any suitable investor(s) on or before January 31, 2009.

In consequence of the decision of the Board, subsequent to the year end the unsubscribed shares were offered to Jahangir Siddiqui & Company Limited (JSCL) (the holding company), and JSCL subscribed 43,276,107 unsubscribed right shares.

19.2.2 JSCL held 351,886,444 (2007: 293,238,704) ordinary shares of Rs.10 Each as at December 31, 2008 representing 61.79% (2007: 57.43%) Holding.

20. SURPLUS ON REVALUATION OF ASSETS - net of tax

(Deficit) / Surplus Arising On Revaluation Of available for sale securities:

Term Finance Certificates - listed	(32,521)	4,615
Ordinary shares - listed	(290,096)	33,634
Preference shares - listed	13,624	(1,069)
Closed end mutual funds	(218,967)	26,034
Open end mutual funds	(163,098)	-
Government Securities	(15,375)	(6,825)
	<u>(706,433)</u>	<u>56,389</u>
Less: Related deferred tax asset / (liability)	<u>197,642</u>	<u>(3,933)</u>
	<u>(508,791)</u>	<u>52,456</u>

21. CONTINGENCIES AND COMMITMENTS

21.1 Transaction-related contingent liabilities

Includes performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees and standby letters of credit related to particular transactions.

i) Government	68,143	51,258
ii) Banking companies and other financial institutions	3,229	15
iii) Others	423,175	10,244
	<u>494,547</u>	<u>61,517</u>

21.2 Trade-related contingent liabilities

Documentary credits	766,016	134,348
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21.3 Other contingencies

Claims not acknowledged as debts	97,655	108,457
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21.4 Commitments in respect of forward exchange contracts

Purchase	2,313,977	1,941,004
Sale	2,139,944	1,256,303

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

21.5 Other contingencies

Forward sale commitments in respect of TFCs	-	102,880
Underwriting commitments in respect of purchase - of shares of a related party	197,746	155,000

21.6 Commitment in respect of capital expenditure

	102,798	94,174
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22. DERIVATIVE INSTRUMENTS

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

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

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

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

	December 31, 2008	December 31, 2007
	— Rupees in '000 —	
23. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances to:		
Customers	1,142,992	196,757
Financial Institutions	195,642	322,127
On investments in:		
Available for sale securities	532,835	352,397
Held for trading securities	-	33,066
On deposits with financial institutions	15,654	76,378
On securities purchased under resale agreements	88,080	149,658
	<u>1,975,203</u>	<u>1,130,383</u>
24. MARK-UP / RETURN / INTEREST EXPENSED		
Deposits	1,160,590	746,174
Securities sold under repurchase agreements	86,905	71,647
Borrowings	114,243	46,479
	<u>1,361,738</u>	<u>864,300</u>
25. FEE, COMMISSION AND BROKERAGE INCOME		
Advisory fee	31,865	84,006
Trustee fee	8,863	6,980
Other fees, commission and charges	62,720	35,556
	<u>103,448</u>	<u>126,542</u>
26. GAIN ON SALE OF SECURITIES - net		
Federal Government Securities		
Treasury Bills	(373)	(1,150)
Pakistan Investment Bonds	15,060	6,670
Ordinary shares - listed	99,155	104,527
Ordinary shares - unlisted, of a related party	-	3,598
Term Finance Certificates	39,022	19,047
Mutual Fund Units / Certificates	59,941	16,199
	<u>212,805</u>	<u>148,891</u>

27. ADMINISTRATIVE EXPENSES

	December 31, 2008	December 31, 2007
	— Rupees in '000 —	
Salaries, wages, allowances, etc.	383,618	245,755
Charge for defined benefit plan	9,826	7,239
Contribution to defined contribution plan	16,778	8,037
Contractor wages	56,260	24,408
Brokerage, fee and commission	14,072	7,205
Rent, taxes, insurance, electricity, etc.	135,508	90,590
Legal and professional charges	7,327	3,474
Communication	31,441	11,951
Repairs and maintenance	71,217	31,454
Travel and other related expenses	12,006	2,808
Stationery and printing	27,303	12,431
Advertisement and publicity	23,258	10,463
Postage and courier service	5,989	3,138
Stamp duty	10,758	7,335
CDC and other charges	3,975	4,886
Bank charges and clearing house charges	4,922	3,888
Fees and subscription	13,035	17,909
Auditors' remuneration	4,329	4,334
Depreciation	78,615	29,856
Amortization of intangible assets	48,700	191,839
Amortization of deferred cost	-	6,736
Staff training	5,318	636
Others	18,369	9,891
	<u>982,624</u>	<u>736,263</u>
27.1 Auditors' Remuneration		
Audit fee	800	550
Code of corporate governance review fee	150	100
Half-yearly review	300	200
Special certification and miscellaneous services	3,018	3,423
Out of pocket expenses	61	61
	<u>4,329</u>	<u>4,334</u>
28. OTHER CHARGES		
Penalties imposed by State Bank of Pakistan	743	654

29. TAXATION

The numerical reconciliation between the average tax rate and the applicable tax rate has not been presented in these financial statements due to taxable loss during the year.

Under Section 114 of the Income Tax Ordinance, 2001 (Ordinance), the Bank has filed the returns of income for the tax year 2006 and 2007 on due date. The said returns are deemed to be assessed under the provisions of the prevailing income tax law as applicable in Pakistan during the relevant accounting years.

30. EARNINGS PER SHARE - BASIC AND DILUTED

	December 31, 2008	December 31, 2007
Profit for the year after taxation	54,770	35,431
Weighted average number of Ordinary shares outstanding during the year (Number)	519,662,890	510,633,750
Earnings per share - basic and diluted (Rupee)	0.11	0.07

There is no dilution effect on basic earnings per share.

31. CASH AND CASH EQUIVALENTS

Cash and balances with treasury banks	1,285,247	977,235
Balances with other banks	672,271	254,079
Overdrawn nostro account	(3,145)	(9,992)
	<u>1,954,373</u>	<u>1,221,322</u>

————— Number —————

32. STAFF STRENGTH

Permanent	610	280
Temporary / on contractual basis	-	-
Bank own staff strength at the end of the year	610	280
Outsourced	217	177
	<u>827</u>	<u>457</u>

33. DEFINED BENEFIT PLAN

33.1 General description

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

33.2 Number of employees under the schemes

The number of employees covered under the following defined benefit scheme is 610 (2007: 280).

33.3 Principal actuarial assumptions

The actuarial valuations were carried out on December 31, 2008 based on the Projected Unit Credit Method, using the following significant assumptions:

	December 31, 2008	December 31, 2007	Source of estimation
Discount rate	15%	10%	Yield on government bonds
Expected rate of salary increase	15%	10%	Linked to discount rates

33.4 Reconciliation of payable to defined benefit plan

	December 31, 2008	December 31, 2007
Present value of defined benefit obligation	19,242	9,761
Fair value of any plan assets	-	-
Net actuarial losses not recognised	(720)	(579)
Unrecognised transitional liability	(1,457)	(1,943)
	<u>17,065</u>	<u>7,239</u>

33.5 Movement in payable to defined benefit plan

Opening net liability	7,239	-
Expense for the year	9,826	7,239
Benefits paid to employees	-	-
Closing net liability	<u>17,065</u>	<u>7,239</u>

33.6 Charge for defined benefit plan

Current service cost	8,364	6,510
Interest cost	976	243
Transitional liability recognised	486	486
	<u>9,826</u>	<u>7,239</u>

33.7 The Bank amortizes transitional liability over a period of five years.

34. 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 352 (2007: 180). During the year, employees made a contribution of Rs.16.778 (2007: Rs.8.037) million to the fund. The Bank has also made a contribution of equal amount to the fund.

35. COMPENSATION OF DIRECTORS AND EXECUTIVES

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

	2008			
	President	Directors	Executives	Total
	Rupees in '000'			
Managerial remuneration	9,290	5,953	96,713	111,956
Defined contribution plan	929	595	7,835	9,359
Charge for defined benefit plan	774	496	8,056	9,326
Rent and house maintenance	4,181	2,679	43,521	50,381
Utilities	929	595	9,672	11,196
Medical	21	8	1,352	1,381
Conveyance and vehicle maintenance	694	301	13,830	14,825
Bonus	10,000	7,000	27,000	44,000
	<u>26,818</u>	<u>17,627</u>	<u>207,979</u>	<u>252,424</u>
Number of persons	<u>1</u>	<u>1</u>	<u>86</u>	<u>88</u>
	2007			
	President	Directors	Executives	Total
	Rupees in '000'			
Managerial remuneration	5,458	5,826	58,930	70,214
Defined contribution plan	545	523	4,486	5,554
Charge for defined contribution plan	455	435	4,911	5,801
Rent and house maintenance	2,456	2,351	26,518	31,325
Utilities	634	563	6,276	7,473
Medical	21	12	934	967
Conveyance and vehicle maintenance	579	316	6,337	7,232
Bonus	15,000	9,600	27,083	51,683
	<u>25,148</u>	<u>19,626</u>	<u>135,475</u>	<u>180,249</u>
Number of persons	<u>1</u>	<u>3</u>	<u>68</u>	<u>72</u>

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

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments is based on quoted market price. Fair value of unquoted equity investments is determined on the basis of break-up value of these investments as per the latest available audited financial statements.

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 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.

37. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	December 31, 2008					Total
	Corporate finance	Trading & sales	Retail banking	Commercial banking	Payment & settlement	
	Rupees in '000					
Total income	35,604	1,220,477	1,104,641	57,726	48,471	2,468,302
Total expenses	12,695	215,324	1,911,471	51,848	8,897	2,357,077
Tax expense	-	-	-	-	-	-
Deferred tax	-	-	-	-	-	56,455
Net income / (loss)	22,909	1,005,153	(806,830)	5,878	39,574	54,770
Segment assets (gross)	-	8,527,468	11,294,547	200,161	-	21,757,446
Segment non performing loans	-	-	-	455,504	-	455,504
Segment provision required	-	-	-	129,644	-	129,644
Segment liabilities	-	541,436	15,682,607	-	127,922	16,351,965
Segment return on net assets (ROA) (%)	-	13.00	12.92	-	-	-
Segment cost of funds (%)	-	11.05	11.74	-	-	-

Relationship with the Bank	Nature of transactions	December 31,	December 31,
		2008	2007
		—— Rupees in '000 ——	
Companies having common directorship			
		83,367	74,374
	Purchase of TFC	1,362,552	747,144
	Sale of TFC	1,630,435	-
	Sale of Government Securities	20	-
	Purchase of shares	1,798	3,444
	Insurance claim received	14,636	7,687
	Payment of insurance premium	-	-
Parent company			
		586,477	1,207,175
	Subscription in right shares	83	-
	Purchase of shares	-	6,250
	Advisory fee for TFC	-	125
	Payment of rent expense	-	1,233
	Refund of security deposit	-	-
Companies in which parent company holds 20% or more			
		-	3,025
	Purchase of fixed assets	-	810
	Sale of fixed assets	-	628
	Amount paid for services rendered	268,464	458,134
	Purchase of TFC	23,849	427,271
	Sale of TFC	32,573	-
	Purchase of Government Securities	146,139	-
	Sale of Government Securities	348	-
	Purchase of computer	133,073	580,643
	Sale of shares	112	423,747
	Purchase of shares	1,409	252
	Rent expense paid / accrued	5,831,000	-
	Call lendings	4,616	9,543
	Commission paid / accrued	38	-
	Commission Income	64,564	74,895
	Dividend Income	3,000	10,938
	Advisory fee for TFC	-	470
	Trustee fee	-	-

Other related parties	December 31,	December 31,	
	2008	2007	
		—— Rupees in '000 ——	
		5,712	4,524
	Trustee fee	7	-
	Purchase of shares	10	-
	Sale of shares	1,010,000	-
	Call lending	-	-
	Foreign currency purchase transactions	872,050	-
	Foreign currency sale transactions	698,730	-
	Purchase of TFCs	-	150,000
	Advisory fee for TFC	-	21,443
	Purchase of units	596,078	-
	Sale of units	368,130	-
	Commission income	3,260	-

40. CAPITAL ASSESSMENT AND ADEQUACY BASEL II SPECIFIC

40.1 Scope of Applications

Basel II applies to the Bank's accounts on a stand-alone basis. The Bank does not currently have a subsidiary or significant minority interest on which Basel II can be applied to.

40.2 Capital structure

Tier I capital

	December 31, 2008	December 31, 2007	
		—— Rupees in '000 ——	
Shareholders equity / assigned capital	5,694,844	5,106,337	
Share premium	-	-	
Reserves	18,040	7,086	
Unappropriated / unremitted profits (net of losses)	71,744	27,928	
Minority in the equity of the subsidiaries	-	-	
Innovative and other capital instruments (if any)	-	-	
	5,784,628	5,141,351	
Less: Goodwill, other intangible assets and deficit on account of revaluation of Available for sale portfolio etc.	2,327,613	1,569,741	
	2,327,613	1,569,741	
Total Tier I Capital	3,457,015	3,571,610	

Tier II capital

	December 31, 2008	December 31, 2007
———— Rupees in '000 ————		
Subordinated Debt (upto 50% of total Tier 1 Capital)	-	-
General Provisions subject to 1.25% of Total Risk Weighted Assets	7,559	4,068
Revaluation Reserve (upto 45%)	-	23,605
	7,559	27,673
Less: Calculation difference (expected losses vs eligible provisions)	-	-
Investment in commercial entities (50%)	-	-
Total Tier II Capital	7,559	27,673
Eligible tier III capital	-	-
Total regulatory capital base	-	-
	3,464,574	3,599,283

40.3 Capital adequacy

Capital management

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

Statutory minimum capital requirement and management of capital

The State Bank of Pakistan through its BSD Circular No.19 dated September 05, 2008 requires the minimum paid up capital (net of losses) for Banks / Development Finance Institutions (DFIs) to be raised to Rs. 23 billion by the year ending December 31, 2013. The raise is to be achieved in a phased manner requiring Rs. 5 billion paid up capital (net of losses) by the end of the financial year 2008.

The paid up capital of the Bank as at December 31, 2008 stood at Rs. 5.695 billion and is in compliance with the SBP requirement for the said year.

In addition, the Bank was also required to maintain a minimum Capital Adequacy Ratio (CAR) of 9% of the risk weighted exposure of the Bank. Bank's CAR as at December 31, 2008 was 28.89 % of its risk weighted exposures.

Bank's regulatory capital is analyzed into two tiers

Tier I capital, which includes fully paid up capital, general reserves and un-appropriated profits as per the financial statements net off goodwill, other intangible assets and deficit on revaluation of 'available for sale' investment portfolio.

Tier II capital includes reserves on the revaluation of 'available for sale' investments (up to a maximum of 45% of the balance in the related revaluation reserves).

The capital of the Bank is managed keeping in view the requirements laid down by SBP under BSD Circular No. 19 dated September 05, 2008 for "Minimum Capital Requirements for Banks". The adequacy of the capital is tested with reference to the risk-weighted assets of the Bank.

The Bank in alignment with its corporate strategy has expansion plans in the years to come, starting from ensuring its presence in all major cities of the country, to providing a range of innovative financial products & services to a wide customer base. Though the Bank's current capital level is adequate to support these expansion plans in the years to follow along with the risks associated with new business activities, the capital adequacy is constantly been monitored and stress tested by using various adverse scenarios. The Bank is in the process of developing a formalized strategy for the Internal Capital Adequacy Assessment Process as laid down by SBP.

The capital to risk weighted assets ratio, calculated in accordance with the SBP's guidance on capital adequacy was as follows:

Capital requirements	Risk weighted assets		
December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
———— Rupees in '000 ————			

Credit Risk

Portfolios subject to standardized approach

Corporate	625,659	478,866	6,951,767	5,985,819
Retail	35,996	16,227	399,956	202,841
Banks & DFIs	29,480	50,406	327,556	630,071
Public sector entity	6,750	-	75,000	-
Sovereign (include GoP & SBP)	-	-	-	-
Residential mortgage finance	4,179	1,566	46,431	19,574
Past due loans	43,461	2,400	482,904	30,000
Fixed assets	78,813	30,850	875,703	385,619
Other assets	26,750	37,121	297,222	464,013
Off balance sheet - non market related	19,649	5,114	218,320	63,920
Off balance sheet - market related	1,589	493	17,659	6,167
Equity Exposure Risk in the Banking Book	65,099	42,349	723,324	529,363

	Capital requirements		Risk weighted assets	
	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
	Rupees in '000			
Market risk				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	4,073	2,073	45,259	25,913
Equity position risk	3,579	10,430	39,771	130,375
Foreign exchange risk	14,009	159	155,653	1,988
Operational Risk				
Capital Requirement for operational risks	120,138	81,215	1,334,863	1,015,183
Total	1,079,224	759,269	11,991,388	9,490,846
Capital Adequacy Ratio				
Total eligible regulatory capital held	(a)		3,464,574	3,599,283
Total risk weighted assets	(b)		11,991,388	9,490,846
Capital adequacy ratio	(a) / (b)		28.89%	37.92%

41. 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 policy / framework and procedures in accordance with regulatory environment and international standards.

Risk management framework of the Bank includes:

- a) Clearly defined risk management policies and procedures covering risk identification, acceptance, measurement, monitoring, reporting and control;
- b) Well constituted organizational structure, defining clearly roles and responsibilities of individuals involved in risk taking as well as managing it. The Bank, in addition to risk management functions for various risk categories has instituted an Integrated Risk Management Committee (IRMC) that supervises overall risk management at the Bank. The IRMC is responsible for establishing the Bank's overall risk-taking capacity. This involves an effective portfolio management strategy, keeping in view the earnings growth target and capital constraints. The IRMC sets the strategic target and aggregate limits at the Business Group level and concentration limits (by industry, geography, size, tenor) so that one category of assets or dimension of risk cannot materially harm the performance of the Bank;
- c) An effective management information system that ensures flow of information from operational level to top management and a system to address any exceptions observed; and
- d) A mechanism to ensure an ongoing review of systems, policies and procedures for risk management and procedures to adopt changes.

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

Giving due consideration to the above-mentioned, the Bank has the following hierarchy of Risk Management:

- Board of Directors (BoD) Risk Management Sub-Committee;
- Integrated Risk Management Committee (IRMC) which comprises of the President / Chief Executive Officer (CEO), Group Head Risk Management, Business Heads, and Other Functional Heads.
- Asset - Liability Committee which comprises of the President / Chief Executive Officer (CEO), Treasurer, Group Head Risk Management, Other Business Heads.
- Risk Management Group (RMG) which comprises of Risk Managers for Credit, Market and Operational Risks, Treasury Middle Office and Credit Administration Department including Special Asset Management Unit.

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

- a) Credit Risk Management (CRM) include both Corporate/Commercial & Small and Medium Enterprise (SME)/Consumer Risks
- b) Credit Administration Division (CAD) including Special Asset Management (SAM)
- c) Operational Risk Management
- d) Market Risk Management (MRM)
- e) Treasury Middle Office
- f) Financial Institution Risk Management Unit (also responsible for Cross-border Risk Management)
- g) Basel II Implementation

The Bank's RMG generates the requisite risk reporting for the different tiers of management, these are also subjected to Internal Audit review.

Risk Categories

The 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.

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

41.1 Credit Risk

Credit risk, is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. Credit risk is managed in terms of credit policies, approved by the BoD and regulations issued by the SBP. The Bank is exposed to credit risk on loans and advances, fund placements with financial institutions and certain investments. The Bank's strategy is to minimize 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 the credit proposal, adequacy of security and pre-disbursement examination of charge documents has been established and managed by Risk Management Group (RMG) at the head office. The Bank maintains a sound portfolio

that is diversified in nature to counter the risk of credit concentration and further limits risk through diversification of its assets by geographical and industrial sectors. For managing impaired assets in the portfolio, the Bank follow the Prudential Regulations and Risk Management guidelines issued by SBP and the Remedial Management Policy approved by the Board.

41.1.1 Segmental Information

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

41.1.1.1 Segment by class of business

	December 31, 2008					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent %	Rupees in '000	Percent %	Rupees in '000	Percent %
Mining and quarrying	132,653	1.35	30,770	0.20	-	-
Textile	1,600,751	16.29	57,239	0.37	327,062	5.44
Chemical and pharmaceuticals	1,466,713	14.92	153,145	1.00	136,265	2.27
CFS financing	51,333	0.52	-	-	-	-
Footwear and leather garments	60,511	0.62	61,141	0.40	-	-
Automobile and transportation equipment	179,263	1.82	3,720	0.02	-	-
Electronics and electrical appliances	507,376	5.16	1,888	0.01	5,365	0.09
Construction	-	-	21,269	0.14	1,170	0.02
Power, gas, water and sanitary	-	-	354,440	2.32	-	-
Paper and board	49,118	0.50	110	-	-	-
Food	1,111,389	11.31	22,420	0.15	-	-
Trust and non-profit organizations	14,918	0.15	1,712,352	11.20	-	-
Wholesale and retail trade	356,055	3.62	331,141	2.17	-	-
Transport, storage and communication	300,000	3.05	197,466	1.29	197,746	3.28
Financial	1,987,176	20.22	3,890,906	25.44	4,457,150	74.10
Insurance	200,000	2.03	367,977	2.41	-	-
Services	216,814	2.21	309,559	2.02	96,263	1.60
Individuals	909,450	9.25	6,138,115	40.13	-	-
Others	685,323	6.98	1,640,615	10.73	794,007	13.20
	<u>9,828,843</u>	<u>100</u>	<u>15,294,273</u>	<u>100</u>	<u>6,015,028</u>	<u>100</u>

	December 31, 2007					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent %	Rupees in '000	Percent %	Rupees in '000	Percent %
Mining and quarrying	-	-	18,780	0.14	-	-
Textile	818,313	12.41	35,445	0.26	10,296	0.27
Chemical and pharmaceuticals	488,237	7.40	1,195,207	8.74	166,755	4.45
CFS financing	1,992,747	30.23	-	-	-	-
Footwear and leather garments	60,599	0.92	42,846	0.31	-	-
Automobile and transportation equipment	2,298	0.03	1,247,403	9.12	-	-
Electronics and electrical appliances	662	0.01	14,329	0.10	3,394	0.09
Construction	-	-	73,330	0.54	-	-
Power, gas, water and sanitary	-	-	22,236	0.16	-	-
Paper and board	-	-	2,045	0.01	-	-
Food	230,675	3.50	2,760	0.02	28,375	0.76
Trust and non-profit organizations	-	-	1,231,233	9.00	-	-
Wholesale and retail trade	128,560	1.95	-	-	-	-
Transport, storage and communication	225,000	3.41	-	-	155,000	4.14
Financial	40,000	0.61	319,351	2.33	3,202,310	85.50
Insurance	-	-	390,923	2.86	-	-
Services	1,259,741	19.10	298,621	2.18	31,470	0.84
Individuals	1,025,225	15.55	2,613,678	19.11	2,925	0.08
Others	321,578	4.88	6,171,711	45.12	144,701	3.86
	<u>6,593,635</u>	<u>100</u>	<u>13,679,898</u>	<u>100</u>	<u>3,745,226</u>	<u>100</u>

41.1.1.2 Segment by sector

	December 31, 2008					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent %	Rupees in '000	Percent %	Rupees in '000	Percent %
Public / Government	150,000	1.53	930,764	6.09	68,143	1.13
Private	9,678,843	98.47	14,363,509	93.91	5,946,885	98.87
	<u>9,828,843</u>	<u>100</u>	<u>15,294,273</u>	<u>100</u>	<u>6,015,028</u>	<u>100</u>

	December 31, 2007					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent %	Rupees in '000	Percent %	Rupees in '000	Percent %
Public / Government	-	-	1,835,658	13.42	51,258	1.37
Private	6,593,635	100	11,844,240	86.58	3,693,968	98.63
	<u>6,593,635</u>	<u>100</u>	<u>13,679,898</u>	<u>100</u>	<u>3,745,226</u>	<u>100</u>

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

	December 31, 2008		December 31, 2007	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	Rupees in '000			
Textile	65,966	65,966	70,642	70,642
Automobile and transportation equipment	2,298	2,298	2,298	2,298
Electronics and electrical appliances	662	662	662	662
Financial	306,594	11,488	-	-
Individuals	46,090	7,777	899	899
Other	33,894	33,894	69,103	39,103
	<u>455,504</u>	<u>122,085</u>	<u>143,604</u>	<u>113,604</u>

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

	December 31, 2008		December 31, 2007	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	Rupees in '000			
Public / Government	-	-	-	-
Private	455,504	122,085	143,604	113,604
	<u>455,504</u>	<u>122,085</u>	<u>143,604</u>	<u>113,604</u>

41.1.1.5 Geographical Segment Analysis

	December 31, 2008		December 31, 2007	
	Total assets employed	Net assets employed	Total assets employed	Net assets employed
	Rupees in '000			
Pakistan	21,627,802	5,275,837	20,327,752	5,193,807

	December 31, 2008		December 31, 2007	
	Profit before taxation	Contingencies and commitments	Loss before taxation	Contingencies and commitments
	Rupees in '000			
Pakistan	111,225	6,015,028	(62,221)	3,745,226

41.1.2 Credit Risk: Standardized Approach

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

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

Exposures	JCR-VIS	PACRA	MOODY'S	FITCH	S&P
Corporate	✓	✓	-	-	-
Banks	✓	✓	✓	✓	✓
SME's (Retail Exposures)	✓	✓	-	-	-
Sovereigns	N/A	N/A	N/A	N/A	N/A
Securitized	N/A	N/A	N/A	N/A	N/A
Others (Specify)	N/A	N/A	N/A	N/A	N/A

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

41.1.2.1 Credit exposures and comparative figures subject to the standardised approach

Exposures	Rating Category No.	Rating Risk Weight	December 31, 2008			Risk Weighted Asset
			Amount Outstanding	Deduction CRM	Net amount	
			Rupees in '000			
Cash & Cash Equivalents		0%	354,720	-	354,720	-
Corporate	0	0%	-	514,472	514,472	-
	1	20%	2,863,814	(181,157)	2,682,657	536,531
	2	50%	749,387	-	749,387	374,694
	3,4	100%	-	-	-	-
	5,6	150%	-	-	-	-
	Unrated	100%	6,373,857	(333,315)	6,040,542	6,040,542
			9,987,058	-	9,987,058	6,951,767

Exposures	Rating Category No.	Rating Risk Weight	December 31, 2008			Risk Weighted Asset
			Amount Outstanding	Deduction CRM	Net amount	
			Rupees in '000			
Retail		0%	-	22,805	22,805	-
		20%	-	-	-	-
		50%	-	-	-	-
		75%	556,079	(22,805)	533,274	399,956
			556,079	-	556,079	399,956
Banks						
- Over 3 Months		0%	-	-	-	-
- Over 3 Months	1	20%	5,061	-	5,061	1,012
- Over 3 Months	2,3	50%	-	-	-	-
- Over 3 Months	4,5	100%	-	-	-	-
- Over 3 Months	6	150%	-	-	-	-
- Over 3 Months	Unrated	50%	103,900	-	103,900	51,950
			108,961	-	108,961	52,962
- Maturity Upto and under 3 Months in FCY	1,2,3	0%	-	-	-	-
	4,5	20%	427,925	-	427,925	85,585
	6	50%	-	-	-	-
	unrated	150%	-	-	-	-
		20%	155,857	-	155,857	31,171
			583,782	-	583,782	116,756
- Maturity Upto and under 3 Months in PKR		0%	-	516,428	516,428	-
- Maturity Upto and under 3 Months in PKR		20%	1,305,616	(516,428)	789,188	157,838
			1,305,616	-	1,305,616	157,838
Residential Mortgage		35%	132,660	-	132,660	46,431
Public Sector Entity		50%	150,000	-	150,000	75,000
Sovereigns (SBP / GoP)		0%	4,578,214	-	4,578,214	-
Equity Investments - Listed		100%	723,324	-	723,324	723,324
- Unlisted		150%	-	-	-	-
			723,324	-	723,324	723,324
Past Due Loans (Not Secured by Residential Mortgages)	S.P less than 20%	150%	298,972	-	298,972	448,458
	S.P upto 20%	100%	34,446	-	34,446	34,446
	S.P greater than 50%	50%	-	-	-	-
			333,418	-	333,418	482,904
Investment in fixed assets		100%	875,703	-	875,703	875,703
Other Assets		100%	297,222	-	297,222	297,222
Total			19,986,757	-	19,986,757	10,179,863

* Credit Risk Mitigation (CRM)

41.1.2.2 Credit exposures and comparative figures subject to the standardised approach

Exposures	December 31, 2007					
	Rating Category No	Rating Risk Weight	Amount Outstanding	Deduction CRM	Net amount	Risk Weighted Asset
	Rupees in '000					
Cash and Cash Equivalents		0%	145,328	-	145,328	-
Corporate	0	0%	-	278,853	278,853	-
	1	20%	1,486,087	-	1,486,087	297,217
	2	50%	131,903	-	131,903	65,952
	3,4	100%	8,253	-	8,253	8,253
	5,6	150%	-	-	-	-
	Unrated	100%	5,893,250	(278,853)	5,614,397	5,614,397
			7,519,493	-	7,519,493	5,985,819
Retail		0%	-	28,054	28,054	-
		20%	-	-	-	-
		50%	-	-	-	-
		75%	298,508	(28,054)	270,454	202,841
			298,508	-	298,508	202,841
Banks						
- Over 3 Months		0%	-	-	-	-
- Over 3 Months	1	20%	188,607	-	188,607	37,721
- Over 3 Months	2,3	50%	136,800	-	136,800	68,400
- Over 3 Months	4,5	100%	-	-	-	-
- Over 3 Months	6	150%	-	-	-	-
- Over 3 Months	Unrated	50%	-	-	-	-
			325,407	-	325,407	106,121
- Maturity Upto and under 3 Months in FCY		0%	-	-	-	-
	1,2,3	20%	217,685	-	217,685	43,537
	4,5	50%	-	-	-	-
	6	150%	-	-	-	-
	unrated	20%	31	-	31	6
			217,716	-	217,716	43,543
- Maturity Upto and under 3 Months in PKR		0%	-	1,188,969	1,188,969	-
- Maturity Upto and under 3 Months in PKR		20%	3,591,004	(1,188,969)	2,402,035	480,407
			3,591,004	-	3,591,004	480,407

Exposures	December 31, 2007					
	Rating Category No	Rating Risk Weight	Amount Outstanding	Deduction CRM	Net amount	Risk Weighted Asset
	Rupees in '000					
Residential Mortgage		35%	55,927	-	55,927	19,574
Public Sector Entity			-	-	-	-
Sovereigns (SBP / GoP)			5,084,391	-	5,084,391	-
Equity Investments - Listed		100%	529,363	-	529,363	529,363
- Unlisted		150%	-	-	-	-
			529,363	-	529,363	529,363
Past Due Loans (Not Secured by Residential Mortgages)						
	S.P less than 20%	150%	-	-	-	-
	S.P upto 20%	100%	30,000	-	30,000	30,000
	S.P greater than 50%	50%	-	-	-	-
			30,000	-	30,000	30,000
Investment in fixed assets		100%	385,619	-	385,619	385,619
Other Assets		100%	464,013	-	464,013	464,013
Total			18,646,769	-	18,646,769	8,247,300

* Credit Risk Mitigation (CRM)

41.1.2.3 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 Standardized Approach as prescribed by SBP under Circular No. 8 of 2007, 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 the 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 weekly basis to calculate the Drawing Power (DP). In case of any shortfall in the requisite margins, the DP is adjusted to the appropriate level and the business units are informed to take appropriate action as per the agreement with the customer.

41.2 Equity Position risk in the banking book

Equity Position in the banking book includes Investments 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 sector/company, compliance with regulatory requirements, following the guidelines laid down in the Bank's Investment Policy as set by the BoD. The Bank follows a delivery versus payment settlement system thereby minimizing risk and available risk in relation to settlement risk.

	December 31, 2008		
	Cost	Market value	Un-realised gain / (loss)
	Rupees in '000		
Available for sale securities			
Listed equity investment	450,030	159,934	(290,096)
Investment in preference shares - listed	95,503	109,127	13,624
Investment in closed end mutual funds	28,164	7,603	(20,561)
Investment in open end mutual funds	275,000	111,902	(163,098)
Strategic Investment			
Investment in closed end mutual funds	293,347	94,941	(198,406)
	<u>1,142,044</u>	<u>483,507</u>	<u>(658,537)</u>

	December 31, 2007		
	Cost	Market value	Un-realised gain / (loss)
	Rupees in '000		
Available for sale securities			
Listed equity investment	352,994	386,628	33,634
Investment in preference shares - listed	95,503	94,434	(1,069)
Investment in closed end mutual funds	2	2	-
Strategic Investment			
Investment in closed end mutual funds	293,347	319,381	26,034
	<u>741,846</u>	<u>800,445</u>	<u>58,599</u>

The cumulative realised gains / (losses) arising from sales and liquidation in the reporting period.

	December 31, 2008	December 31, 2007
	Rupees in '000	
Available for sale securities	<u>169,306</u>	<u>132,881</u>

41.3 Market risk

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

The Bank has an approved market risk framework 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 reports to Group Head Risk Management. Its function includes ensuring the implementation of the market risk framework above in line with the Bank's strategy.

Risk reporting undertaken by the market risk function includes:

- Stress testing of the market portfolio; and
- Limit monitoring reports

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

In addition, the Bank is using the following to ascertain the impact of market risk:

- Factor Sensitivities
- Stress Testing

Currently, the Bank is using the market risk standardized approach for the purpose of computing regulatory capital, the details of which are set out in note 40.3.

41.3.2 Foreign Exchange Risk

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

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

Foreign exchange open and mismatched positions are marked to be marketed 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.

	December 31, 2008			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000			
Pakistan rupee	20,398,303	15,100,488	(177,631)	5,120,184
United States dollar	1,111,545	964,890	6,133	152,788
Great Britain pound	43,801	105,558	62,354	597
Euro	71,600	180,705	109,390	285
Other currencies	2,553	324	(246)	1,983
	1,229,499	1,251,477	177,631	155,653
	21,627,802	16,351,965	-	5,275,837

	December 31, 2007			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000			
Pakistan rupee	19,866,418	13,980,904	(693,621)	5,191,893
United States dollar	351,466	996,898	645,370	(62)
Great Britain pound	66,344	59,874	(5,476)	994
Euro	39,998	95,735	55,828	91
Other currencies	3,526	534	(2,101)	891
	461,334	1,153,041	693,621	1,914
	20,327,752	15,133,945	-	5,193,807

41.3.3 Equity Position Risk in Trading Book

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

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

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

In order to quantify the interest rate risk sensitivity on assets and liabilities of the Bank, the Bank performs portfolio stress tests under certain assumptions to assess the impact on the Bank's capital adequacy. This exercise is conducted under SBP guidelines on stress testing. Accordingly, assets and liabilities as of December 31, 2008 have been subject to different shock levels (assumed rise in Interest Rate levels). The analysis implies that consequent impact on the Bank's overall CAR would be -0.3%, -0.6% and -1.5% with corresponding increase of 1%, 2% and 5% in interest rate levels respectively. On account of insignificant exposure in different currencies, the resultant impact being immaterial has not been taken into account.

41.3.4

Mismatch of interest rate sensitive assets and liabilities

Interest rate risk is the risk where the value of a financial instrument will fluctuate due to changes in the market interest rates. The Bank is exposed to interest / mark-up rate risk as a result of mismatches or gaps in the amount of interest / mark-up based assets and liabilities that mature or re-price in a given period. The Bank manages this risk by matching/re-pricing of assets and liabilities. The Bank is not excessively exposed to interest / mark-up rate risk as its assets and liabilities are repriced frequently. The assets and liabilities committees (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.

On-balance sheet financial instruments	December 31, 2008											
	Effective yield interest rate	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Non-interest bearing financial instruments	
												Rupees in '000
Assets												
Cash and balances with treasury banks	0.00-3.00	1,285,247	206,869	-	-	-	-	-	-	-	-	1,078,378
Balances with other banks	1.48-3.56	672,271	540,902	-	-	-	-	-	-	-	-	122,369
Lending to financial institutions	13.50-21.00	1,405,210	1,295,210	100,000	-	-	-	-	-	-	-	394,264
Investments	9.48-17.91	5,119,959	741,275	1,882,072	681,143	370	86,470	1,41,956	683,017	509,392	-	394,264
Advances	5.00-23.10	9,099,199	7,152,756	771,593	162,059	181,588	758,202	258,129	292,474	46,878	-	95,520
Other assets	-	565,402	-	-	-	-	-	-	-	-	-	565,402
		18,747,288	9,956,012	2,733,665	843,202	181,958	824,672	400,085	975,491	556,270	95,520	2,160,413
Liabilities												
Bills payable	-	127,922	-	-	-	-	-	-	-	-	-	127,922
Borrowings	7.50-13.65	537,655	387,655	100,000	50,000	-	-	-	-	-	-	-
Deposits and other accounts	1.50-18.50	15,294,273	8,518,365	1,372,305	874,166	1,582,149	230,162	11,890	-	-	-	2,705,234
Other liabilities	-	389,131	-	-	-	-	-	-	-	-	-	389,131
		16,348,981	8,986,020	1,472,305	924,166	1,582,149	230,162	11,890	-	-	-	3,222,267
On-balance sheet financial instruments		2,398,307	1,049,992	1,281,360	(80,966)	(1,400,191)	594,510	388,195	975,491	556,270	95,520	(1,091,874)
Forward lendings	-	-	-	-	-	-	-	-	-	-	-	-
Forward borrowings	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap	-	-	-	-	-	-	-	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap		1,049,992	1,281,360	(80,966)	(1,400,191)	594,510	388,195	975,491	556,270	95,520	-	-
Cumulative Yield / Interest Risk Sensitivity Gap		1,049,992	2,331,352	2,250,386	850,195	1,444,705	1,832,900	2,808,391	3,364,661	3,460,181	-	-

December 31, 2007

On-balance sheet financial instruments	Effective yield / Interest rate	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Non-interest bearing financial instrument
Assets												
Cash and balances with treasury banks	3.71-4.72	977,235	87,965	-	-	-	-	-	-	-	-	909,270
Balances with other banks	2.60-3.56	254,079	125,031	-	-	-	-	-	-	-	-	129,048
Lending to financial institutions	9.85-11.5	3,601,211	3,151,211	450,000	-	-	-	-	-	-	-	-
Investments	8.98-13.51	6,369,536	246,055	1,407,561	835,721	1,980,958	2,14,094	67,953	144,904	641,090	-	771,200
Advances	5.00-18.00	6,475,963	5,373,424	48,983	19,359	367,334	2,10,331	249,008	237,000	54,612	15,812	-
Other assets	-	531,873	-	-	-	-	-	-	-	-	-	531,873
		18,149,897	8,963,687	1,906,544	855,080	2,248,292	424,425	315,960	381,904	695,702	15,912	3,341,391
Liabilities												
Bills payable		727,179	-	-	-	-	-	-	-	-	-	727,179
Borrowings	9.25-9.37	481,147	9,992	471,155	-	-	-	-	-	-	-	-
Deposits and other accounts	1.00-12.75	13,679,808	8,581,778	434,686	1,862,119	1,01,6476	108,000	-	-	-	-	1,676,839
Other liabilities		244,532	-	-	-	-	-	-	-	-	-	244,532
		15,132,736	8,591,770	905,841	1,862,119	1,016,476	108,000	-	-	-	-	2,648,550
		3,017,141	371,917	1,000,703	(1,007,039)	1,231,816	316,425	315,960	381,904	695,702	15,912	(307,159)
On-balance sheet financial instruments		-	-	-	-	-	-	-	-	-	-	-
Forward lendings		-	-	-	-	-	-	-	-	-	-	-
Forward borrowings		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap		371,917	1,000,703	(1,007,039)	1,231,816	316,425	315,960	381,904	695,702	15,912	-	-
Cumulative Yield / Interest Risk Sensitivity Gap		371,917	1,372,620	365,581	1,597,397	1,913,822	2,230,782	2,612,686	3,308,388	3,324,300	-	-
Reconciliation to Total Assets												
		2008	2007	Reconciliation to Total Liabilities								
		Rupees in '000		Rupees in '000								
Balance as per Balance sheet		21,627,802	20,327,752	Balance as per Balance sheet								
Less: Non Financial Assets				Less: Non Financial Assets								
Operating Fixed Assets		2,496,883	1,955,360	Government duties								
Deferred tax assets		371,646	126,525	2,984								
Other Assets		111,985	95,970	16,348,981								
		2,880,514	2,177,855	15,132,756								
		18,747,288	18,149,897									

41.A

Liquidity risk

Liquidity risk is the risk where the bank will not be able to raise funds to meet its commitments. The bank's "Asset and Liability Management Committee" 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 & stress conditions, to meet our contractual and potential payment obligations without incurring additional and unacceptable cost to the business.

ALCO Bank, Treasury is responsible for the managing liquidity risk under the guidance of Asset Liability Committee of the bank. 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 balance sheet.

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

41.A.1

Maturity of Assets and Liabilities

December 31, 2008

Assets	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Non-interest bearing financial instrument	
												Rupees in '000
Assets												
Cash and balances with treasury banks	1,285,247	1,285,247	-	-	-	-	-	-	-	-	-	-
Balances with other banks	672,271	672,271	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	1,405,210	1,305,210	100,000	-	-	-	-	-	-	-	-	-
Investments	5,119,959	1,040,599	1,882,072	681,143	370	86,470	141,956	683,017	604,332	-	-	95,520
Advances	9,699,199	7,152,756	771,593	162,659	181,588	798,202	258,129	292,474	46,878	-	-	-
Other assets	677,387	477,674	20,305	18,346	26,165	121,789	10,925	2,283	-	-	-	-
Operating fixed assets	2,496,883	15,662	42,753	66,746	93,226	139,460	114,067	147,644	231,506	1,665,819	-	-
Deferred tax assets	271,646	-	-	-	-	-	-	-	-	-	-	271,646
	21,627,802	11,949,419	2,816,623	908,294	301,349	1,085,921	525,077	1,125,418	1,154,362	1,761,339	-	-
Liabilities												
Bills payable	127,922	127,922	-	-	-	-	-	-	-	-	-	-
Borrowings	537,655	387,655	100,000	50,000	-	-	-	-	-	-	-	-
Deposits and other accounts	15,294,273	11,223,599	1,372,305	874,168	1,582,149	230,162	11,890	-	-	-	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	392,115	375,050	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	17,965	-	-	-	-	-	-
	16,351,965	12,114,226	1,472,305	924,168	1,582,149	247,227	11,890	-	-	-	-	-
	5,275,837	(1,644,807)	1,344,318	(15,874)	(1,280,800)	838,694	513,187	1,125,418	1,154,362	1,761,339	-	-
Net assets	5,694,844	-	-	-	-	-	-	-	-	-	-	-
Share capital	18,040	-	-	-	-	-	-	-	-	-	-	-
Statutory reserve	71,744	-	-	-	-	-	-	-	-	-	-	-
Unappropriated profit	(508,791)	-	-	-	-	-	-	-	-	-	-	-
Deficit on revaluation of assets	5,275,837	-	-	-	-	-	-	-	-	-	-	-

The expected maturity dates do not differ significantly from the contract date except for the maturity of Rs.3.01 billion of deposits representing retail deposit accounts being considered stable core source of funding by the bank.

December 31, 2007

Assets	Rupees in '000									
	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
Cash and balances with treasury banks	977,235	977,235	-	-	-	-	-	-	-	-
Balances with other banks	254,079	254,079	-	-	-	-	-	-	-	-
Lending to financial institutions	3,601,211	3,601,211	-	-	-	-	-	-	-	-
Investments	6,309,536	311,245	490,000	1,222,351	1,980,958	214,094	67,952	144,904	966,471	-
Advances	6,475,963	5,373,424	1,607,561	19,359	267,334	210,331	249,008	237,000	54,612	15,912
Other assets	627,843	468,213	48,983	16,645	24,675	103,897	2,809	-	-	-
Operating fixed assets	1,955,360	7,021	14,042	22,562	46,925	93,823	51,600	103,200	85,411	1,530,776
Deferred tax assets	126,525	-	-	-	-	-	-	-	126,525	-
Liabilities	20,327,752	10,402,428	1,972,190	1,380,917	2,319,892	622,145	371,369	485,104	1,227,019	1,546,688
Bills payable	727,179	727,179	-	-	-	-	-	-	-	-
Borrowings	481,147	9,992	471,155	1,862,119	1,016,476	108,000	-	-	-	-
Deposits and other accounts	13,679,898	10,258,617	434,686	-	-	-	-	-	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	245,721	245,721	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Net assets	15,133,945	11,241,009	995,841	2,962,115	3,016,676	108,000	371,369	485,104	1,227,019	1,546,688
Share capital	5,193,807	5,193,807	5,193,807	5,193,807	5,193,807	5,193,807	5,193,807	5,193,807	5,193,807	5,193,807
Statutory reserve	7,086	7,086	7,086	7,086	7,086	7,086	7,086	7,086	7,086	7,086
Unappropriated profit	27,528	27,528	27,528	27,528	27,528	27,528	27,528	27,528	27,528	27,528
Deficit on revaluation of assets	52,458	52,458	52,458	52,458	52,458	52,458	52,458	52,458	52,458	52,458
	5,193,807	5,193,807	5,193,807	5,193,807	5,193,807	5,193,807	5,193,807	5,193,807	5,193,807	5,193,807

The expected maturity dates do not differ significantly from the contract date except for the maturity of Rs. 2.05 billion of deposits representing retail deposit accounts being considered stable source of funding by the Bank.

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41.5 Operational risk

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

ORM Unit resides within the 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.

The Bank has implemented a Risk Self Assessment Methodology called the Internal Control Evaluation Process (ICEP) framework across the bank. The ICEP framework overlooks the Risk Control and Self Assessment (RCSA) that has been implemented across the Bank to monitor and assess the internal controls in the Bank. Moreover, the Bank is in the process of revising procedural manuals and implementing best practices though out the Bank. This project is in the completion stages.

Currently, the ORM is involved in the Operational Risks profiling activity whereby higher level key risks are being captured through Heat Maps to be discussed at Bank's Integrated Risk management Committee level for follow up and resolution.

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

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

42. RECLASSIFICATIONS

Following corresponding figures have been reclassified for the purpose of better presentation:

Reclassification from	Reclassification to	Amount Rupees in '000
Other Assets	Operating fixed assets	1,463,624
Other Assets	Investments	200,000

43. DATED OF AUTHORIZATION FOR ISSUE

These Financial Statements were authorized for issue on March 02, 2009.

44. GENERAL

44.1 The figure in the financial statements have been rounded off to the nearest thousand.

44.2 Captions, as prescribed by the BSD Circular No. 04 dated February 17, 2006 issued by the State Bank of Pakistan, with respect to which there are no amounts, have not been reproduced in these financial statements except for in the balance sheet and profit and loss account.

Jahangir Siddiqui
Chairman

Naveed Qazi
President & Chief Executive

Rafique R. Bhimjee
Director

Syed Amjad Ali
Director



rising with
team work

SHAREHOLDER'S STATISTICS

As at December 31, 2008

PATTERN OF SHAREHOLDING
 FORM 34
 THE COMPANIES ORDINANCE 1984
 (Section 236(1) and 464)

No. of Shareholders	Shareholdings		Total Share Held
	From	To	
301	1	100	9,853
1422	101	500	581,656
1478	501	1000	1,420,965
2856	1001	5000	8,379,121
893	5001	10000	7,234,540
339	10001	15000	4,274,966
193	15001	20000	3,500,262
141	20001	25000	3,273,270
94	25001	30000	2,691,614
42	30001	35000	1,400,367
48	35001	40000	1,847,271
29	40001	45000	1,262,373
63	45001	50000	3,078,987
15	50001	55000	804,990
19	55001	60000	1,112,238
11	60001	65000	696,007
13	65001	70000	880,612
21	70001	75000	1,540,555
6	75001	80000	474,600
10	80001	85000	822,020
4	85001	90000	347,151
4	90001	95000	373,500
30	95001	100000	2,991,708
4	100001	105000	411,546
5	105001	110000	538,910
4	110001	115000	446,563
2	115001	120000	237,500
3	120001	125000	363,617
5	125001	130000	638,953
3	130001	135000	400,154
4	135001	140000	547,811
3	140001	145000	432,009
2	145001	150000	300,000
5	150001	155000	763,628
4	155001	160000	629,288
2	160001	165000	328,845
1	165001	170000	170,000
5	170001	175000	867,779
2	175001	180000	354,920
5	180001	185000	921,928
1	185001	190000	189,941
9	195001	200000	1,796,600
1	200001	205000	202,839

No. of Shareholders	Shareholdings		Total Share Held
	From	To	
1	205001	210000	207,000
1	210001	215000	214,000
1	215001	220000	218,700
2	220001	225000	448,699
2	230001	235000	465,074
1	235001	240000	240,000
4	245001	250000	994,689
1	250001	255000	253,312
1	255001	260000	256,195
1	265001	270000	265,445
1	270001	275000	273,600
1	275001	280000	277,500
1	290001	295000	295,000
6	295001	300000	1,798,201
1	305001	310000	306,750
1	310001	315000	315,000
3	315001	320000	952,822
1	340001	345000	343,104
1	345001	350000	349,500
1	350001	355000	351,750
2	380001	385000	764,342
1	385001	390000	388,500
1	390001	395000	391,000
1	405001	410000	405,500
1	410001	415000	411,000
1	415001	420000	418,500
1	470001	475000	475,000
2	495001	500000	1,000,000
1	500001	505000	502,000
1	515001	520000	518,346
1	530001	535000	534,609
1	545001	550000	549,750
1	595001	600000	600,000
1	645001	650000	650,000
1	725001	730000	729,000
1	795001	800000	800,000
1	800001	805000	801,913
1	1095001	1100000	1,100,000
1	1100001	1105000	1,105,000
1	1155001	1160000	1,157,000
1	1200001	1205000	1,201,500
1	1205001	1210000	1,209,080

No. of Shareholders	Shareholdings		Total Share Held
	From	To	
1	1315001	1320000	1,319,000
1	1540001	1545000	1,545,000
1	1795001	1800000	1,800,000
1	1870001	1875000	1,874,500
1	2020001	2025000	2,020,250
1	2135001	2140000	2,136,000
1	2995001	3000000	3,000,000
1	3910001	3915000	3,914,000
1	4605001	4610000	4,605,407
1	4610001	4615000	4,614,479
1	5585001	5590000	5,589,732
1	6785001	6790000	6,788,000
1	9685001	9690000	9,689,000
1	20000001	20005000	20,000,001
1	20210001	20215000	20,212,632
1	20745001	20750000	20,746,513
1	23460001	23465000	23,460,694
1	33165001	33170000	33,169,500
1	260065001	260070000	260,069,204
8,177			510,633,750*

Categories of Shareholders	Shares Held	Percentage %
Banks Development Financial Institutions, Non Banking Financial Institutions.	20,294,953	3.97
Insurance Companies	24,052,953	4.71
Directors, Chief Executive Officer, and their Spouse and Minor Children		
Jahangir Siddiqui	1	
Mazhar-ul-Haq Siddiqui	801,914	
Maqbool Ahmed Soomro	14	
Ashraf Nawabi	1	
Rafique R.Bhimjee	82,013	
Syed Amjad Ali	1	
Basir Shamsie	1	
Naveed Qazi	3,000,000	
Akhter Jabeen	218,700	
Hafsa Shamsie	273,600	
Sub-totals :	4,376,245	0.86
Associated Companies, Undertaking and Related Parties.		
Jahangir Siddiqui & Co. Limited	293,238,704	
American Express Bank Limited	20,000,001	
Sub-totals :	313,238,705	61.34
Modarabas and Mutual Funds.	3,105,734	0.61
NIT and ICP		
IDBP (ICP Unit)	5,467	
National Bank of Pakistan, Trustee Deptt.	20,747,241	
Investment Corp. Of Pakistan	972	
NBP Trustee - NI(U)T (Loc) Fund	20,746,513	
Sub-totals :	41,500,193	8.13
Foreign Investors	1,533,218	0.30

Others	19,686,406	3.86
Individual		
Local - Individuals	82,845,343	
Sub-Totals :	82,845,343	16.22
G-Totals :	510,633,750*	100.00

*This does not include 58,850,643 right shares allotted on December 29, 2008 and credited in CDS accounts of the respective shareholders on January 03, 2009.

Details of transactions carried out by Directors, Chief Executive Officer (CEO), Chief Financial Officer (CFO), Company Secretary and their spouses and minor children during the period from January 01, 2008 to December 31, 2008.

	Shareholding as 01/01/08	Right Shares Subscribed*	Sale	Rate	Shareholding (Rs.) as on 31/12/08
Mr. Maqbool Ahmed Soomro	14	2	-	10	16
Mr. Rafique R. Bhimjee	82,013	16,402	-	10	98,415
Mr. Muhammad Yousuf Amanullah	75,000	15,000	-	10	90,000
Mrs. Hafsa Shamsie	273,600	54,720	-	10	328,320

- The aforesaid Right Shares were subscribed by the Directors, CFO, Company Secretary named above in accordance with their respective entitlement as existing shareholders of the Bank.

FORM OF PROXY
3rd Annual General Meeting

The Company Secretary
JS Bank Limited
Shaheen Commercial Complex
Dr. Ziauddin Ahmed Road
P.O. Box 4847 Karachi-74200, Pakistan

I/We _____ of _____ being member(s) of

JS Bank Limited, holding _____ Ordinary Shares as per Register Folio No./CDC

/A/c No. (For members who have shares in CDS) _____ hereby appoint Mr./

Ms. _____ of (full address) _____

or failing him/her Mr./Ms. _____ of (full

address) _____

as my / our proxy to attend, act and vote for me / us and on my/ our behalf at the 3rd Annual General Meeting of the Company to be held on March 30, 2009 and / or any adjournment thereof.

As witness my / our hand / seal this _____ day of _____ 2009, signed by _____
in the presence of (name & address) _____

Witness:

1. Name _____

Signature _____

Address _____

CNIC or _____

Passport No. _____

2. Name _____

Signature _____

Address _____

CNIC or _____

Passport No. _____



The signature should agree with the specimen registered the Company

Important:

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

2. This Proxy form, duly completed and signed, must be received at the Office of the Company 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 Company, 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 Company, 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 for their proxies are required to produce their original Computerised National Identity Card (CNIC) or Passport for identification purposes at the time of attending meeting. The form of proxy must be submitted with the Company 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 a specimen signature shall be submitted (unless it has been provided earlier along with the proxy form to the Company).

AFFIX
CORRECT
POSTAGE

The Company Secretary
JS Bank Limited
Shaheen Commercial Complex
Dr. Ziauddin Ahmed Road
P.O. Box 4847 Karachi-74200, Pakistan