

Creating Greater Value Through



Environmental
Initiatives



Social
Efforts



Good
Governance

Annual Report 2017



Annual Report 2017

JS Bank won the 'Best Environmental, Social and Governance Bank' award at the Pakistan Banking Awards 2017. This award recognizes the overall environmental, social and governance impact that JS Bank initiatives have had in the areas such as health, education, sustainable development and relief efforts across the country.



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 **JS BANK**

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Company Information

Board of Directors

Mr. Ali Jehangir Siddiqui
Chairman

Mr. Adil Matcheswala
Non-Executive Director

Mr. Ashraf Nawabi
Non-Executive Director

Mr. G.M. Sikander
Independent Non-Executive Director

Mr. Kalim-ur-Rahman
Non-Executive Director

Mr. Munawar Alam Siddiqui
Non-Executive Director

Ms. Nargis Ghaloo
Independent Non-Executive Director

Mr. Shahab Anwar Khawaja
Independent Non-Executive Director

Mr. Khalid Imran
President & CEO

Audit Committee

Mr. Shahab Anwar Khawaja
Chairman

Mr. Adil Matcheswala
Member

Mr. G.M. Sikander
Member

Human Resource, Remuneration & Nomination Committee

Mr. G.M. Sikander
Chairman

Mr. Ali Jehangir Siddiqui
Member

Ms. Nargis Ghaloo
Member

Risk Management Committee

Mr. Ashraf Nawabi
Chairman

Mr. Kalim-ur-Rahman
Member

Mr. Khalid Imran
Member

Mr. Munawar Alam Siddiqui
Member

Chief Financial Officer

Mr. Muhammad Yousuf Amanullah

Company Secretary

Mr. Ashraf Shahzad

Auditors

EY Ford Rhodes, Chartered Accountants
(Member firm of Ernst & Young Global Limited)

Legal Advisors

Bawaney & Partners
Haidermota BNR
Liaquat Merchant Associates

Share Registrar

Central Depository Company of Pakistan Limited
CDC House, 99 – B, Block 'B', S.M.C.H.S., Main
Shahra-e-Faisal Karachi.

Registered Office

JS Bank Limited
Shaheen Commercial Complex
Dr. Ziauddin Ahmed Road
P.O. Box 4847 Karachi-74200, Pakistan
UAN: +92 21 111 JS Bank (572-265)
0800-011-22
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Directors' Profile

Mr. Ali Jehangir Siddiqui

Chairman

Mr. Ali Jehangir Siddiqui is Chairman of the Board of Directors and also a Member of the HR, Remuneration & Nomination Committee of the Bank.

Mr. Siddiqui currently serves as Special Assistant to the Prime Minister of Pakistan. He founded and formerly was Chairman of JS Private Equity Management, Pakistan's largest private equity firm. From 2002-2003 he was an Executive Director of JS Investments, at the time the largest private sector mutual fund manager in Pakistan. Prior to JS Group, Mr. Siddiqui was a Director with Crosby, a private equity firm, and was based in Hong Kong. In 2014, he was honored by the World Economic Forum as a Young Global Leader.

Mr. Siddiqui holds a B.A. in Economics from Cornell University.

Mr. Adil Matcheswala

Non- Executive Director

Mr. Adil Matcheswala is a Member of the Audit Committee.

He is the CEO and founding Director of Speed (Private) Limited, a retail and distribution company that is incorporated in Pakistan. It has amongst its portfolio, numerous leading international brands such as Nike, Adidas, Tag Heuer, Charles & Keith, Pedro and Timex.

He started his professional career in the financial services industry in 1992 and until 2002 was the Head of the Equity Sales Division of Jahangir Siddiqui & Co. Ltd. (formerly Bear Stearns Jahangir Siddiqui Limited).

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

Mr. Matcheswala graduated from Brown University with an A.B. in Economics.

Mr. Ashraf Nawabi

Non- Executive Director

Mr. Ashraf Nawabi is Chairman of the Risk Management Committee.

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

He is also a Director and Chief Executive Officer of First Jamia Services Limited in Lahore since 1991. The institution provides education related services.

Mr. Nawabi graduated from the University of Karachi.

Mr. G.M. Sikander

Independent Non-Executive Director

Mr. G.M. Sikander is a Member of the Audit and HR, Remuneration & Nomination Committees. He has been a career civil servant having served the Government of Pakistan in various capacities for 39 years. He retired as Federal Secretary of the Housing and Works Division.

He has served as Assistant Commissioner and Deputy Commissioner in various districts of Punjab and contributed significantly towards social sector development. While serving as Deputy Commissioner of Kasur he single handedly established a public school on self-help basis

which has now become a degree college with almost 5,000 students.

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

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

Mr. Sikander received his M.A. in Political Science from Punjab University and completed a Diploma in Development Administration from the University of Birmingham. He has also completed the Advanced National Management Course from the former Pakistan Administrative Staff College Lahore and a special course in Development Administration from The National Institute of Public Administration, Lahore. He holds the Director's Certification from the Institute of Chartered Accountants of Pakistan (ICAP).

Mr. Kalim-ur-Rahman

Non- Executive Director

Mr. Kalim-ur-Rahman was formerly President & CEO of JS Bank Limited from 2010 to 2013. He is a Member of the Risk Management Committee.

He is a seasoned banker with 50 years of experience in both international and domestic banking. He has served in various leading international and domestic banks, including Grindlays Bank PLC in the UK and Pakistan, Middle East Bank Ltd. in the

UAE and Pakistan as General Manager - South Asia, Emirates Investment Bank in the UAE as General Manager. Mr. Rahman served as President and CEO of Askari Commercial Bank in Pakistan.

Mr. Rahman did his Senior Cambridge from Burn Hall School, Abbottabad and B.Sc. (Hons) from Government College, Lahore. He had a first class academic career throughout, and his name is inscribed on the College Roll of Honor. He is a Fellow of the Institute of Bankers in Pakistan as well as the Institute of Chartered Secretaries and Managers, Pakistan. He holds the Director's certification from (PICG) as well as the Institute of Directors, UK.

Mr. Munawar Alam Siddiqui

Non- Executive Director

Mr. Munawar Alam Siddiqui is a Member of the Risk Management Committee.

He retired as an Air Commodore from the Pakistan Air Force (PAF) in 2003. His last post was Assistant Chief of Air Staff (Administration) at Pakistan Air Force Headquarters. For his meritorious services to the PAF, he was awarded Tamgha-e-Imtiaz (Military) and Sitara-e-Imtiaz (Military).

He was commissioned in the GD (P) Branch of the Pakistan Air Force in 1974. He is a qualified flying instructor and has flown over 8000 hours on different aircraft types including C-130, Boeing and Dassault aircraft. He has served as a VVIP and Presidential Pilot during his tenure of service and has held various key command and staff appointments in the PAF. He served as Director of Air Transport at Air Headquarters from 1996 to 1998 and commanded an operational air force base with over 8,500 personnel from 2000 to 2002. Presently Mr. Siddiqui is Advisor to JS Investments Limited and was Chairman of JS Investments Limited from 2004 to 2013. Currently he is Chairman of Peregrine Aviation (Pvt.) Limited and serves as a director on the boards of Jahangir Siddiqui & Co. Limited and JS Bank Limited.

As part of his social commitment, he works as a director on the boards of Fakh-e-Imdad Foundation, Karachi Education Initiative, Karachi School for Business & Leadership and Karigar Training Institute. He is also a Trustee of the Cardiovascular Foundation.

Mr. Siddiqui holds a B. Sc. (Honours) in War Studies from Karachi University, a B. Sc. Avionics from Peshawar University, an M. Sc. in Defence and Strategic Studies from Quaid-e-Azam University and an M. Sc. in Strategic Studies from Karachi University. He is also an alumnus of the National Defence University.

Ms. Nargis Ghaloo

Independent Non- Executive Director

Ms. Nargis Ghaloo is a Member of the HR, Remuneration & Nomination Committee of the Bank. She is at present Managing Director, Public Procurement Regulatory Authority, Government of Pakistan. Ms. Ghaloo was Chairperson of State Life Insurance Corporation of Pakistan, Pakistan's largest life insurer, from 2014 to 2016.

Ms. Ghaloo joined the Civil Services of Pakistan in 1982, and has many years of professional experience serving in senior management positions with provincial as well as federal government departments in diversified fields such as public sector management, administration, financial, judicial, health, insurance and planning.

Ms. Ghaloo did her Masters in English from University of Sindh in 1981 and is a Certified Director from The Pakistan Institute of Corporate Governance (PICG) and has also holds a Certificate in Company Direction from Institute of Directors, UK.

Mr. Shahab Anwar Khawaja

Independent Non- Executive Director

Mr. Shahab Anwar Khawaja is the Chairman of the Audit Committee. Mr. Khawaja is a retired senior civil servant and served the Government of Pakistan in various capacities for 36 years. He retired as Federal Secretary to Government of Pakistan.

As Secretary Privatisation, he supervised the privatisation program of public sector enterprises in the country. Earlier he served as Secretary Ministry of Industries and Production. After retirement, he served as CEO of the Competiveness Support Fund – a joint venture of Government of Pakistan & USAID.

Previously, Mr. Khawaja served as CEO of Small and Medium Enterprises Development Authority (SMEDA), where he managed all Federal Government support initiatives to the SME sector of the economy. During these years a number of developments were achieved to help SME growth especially for higher value addition through the acquisition of improved technology.

Mr. Khawaja has represented Pakistan in a number of international seminars, conferences and in various UNDP, UNHCR and UNFPA Board meetings. He has also served on number of corporate boards including SME Bank and Pak Libya Investment Company.

His last engagement was in the private sector where he headed the Fertilizer Manufacturers Pakistan Advisory Council as its Executive Director from 2012 to 2015.

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

Mr. Khalid Imran
President and CEO

Mr. Khalid Imran is the President and CEO of JS Bank Limited and a non-elected Executive Director. He has over 40 years of diversified banking experience in Pakistani and foreign banks. Mr. Imran started his career with BCCI, where he worked for 16 years in different capacities. He was Joint General Manager of BCCI Middle East Region. Mr. Imran then worked with Commercial Bank of Dubai PJSC. On his return to Pakistan in 1991, he

was a member of the core team which established Prime Commercial Bank Limited. He served Prime Bank in the capacity of Senior Executive Vice President and continued with Prime Bank through its acquisition by and merger into ABN Amro Bank in Pakistan and the subsequent acquisition of ABN Amro Bank in Pakistan by Royal Bank of Scotland. He joined the JS Bank team in 2012 and became President and CEO in July 2013.

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





Creating Greater Value Through
Environmental Initiatives



JS Bank is the first commercial bank in Pakistan to be certified by the World Wide Fund for Nature (WWF Pakistan) for their Green Office Initiative

JS Bank was approved by the Green Climate Fund (GCF) Pakistan Board in 2017 to become the first commercial bank from Pakistan to apply for GCF funding

Corporate Social Responsibility

As a responsible corporate citizen, JS Bank strives to support Corporate Social Responsibility (CSR) initiatives for economic growth, social progress and environmental protection.

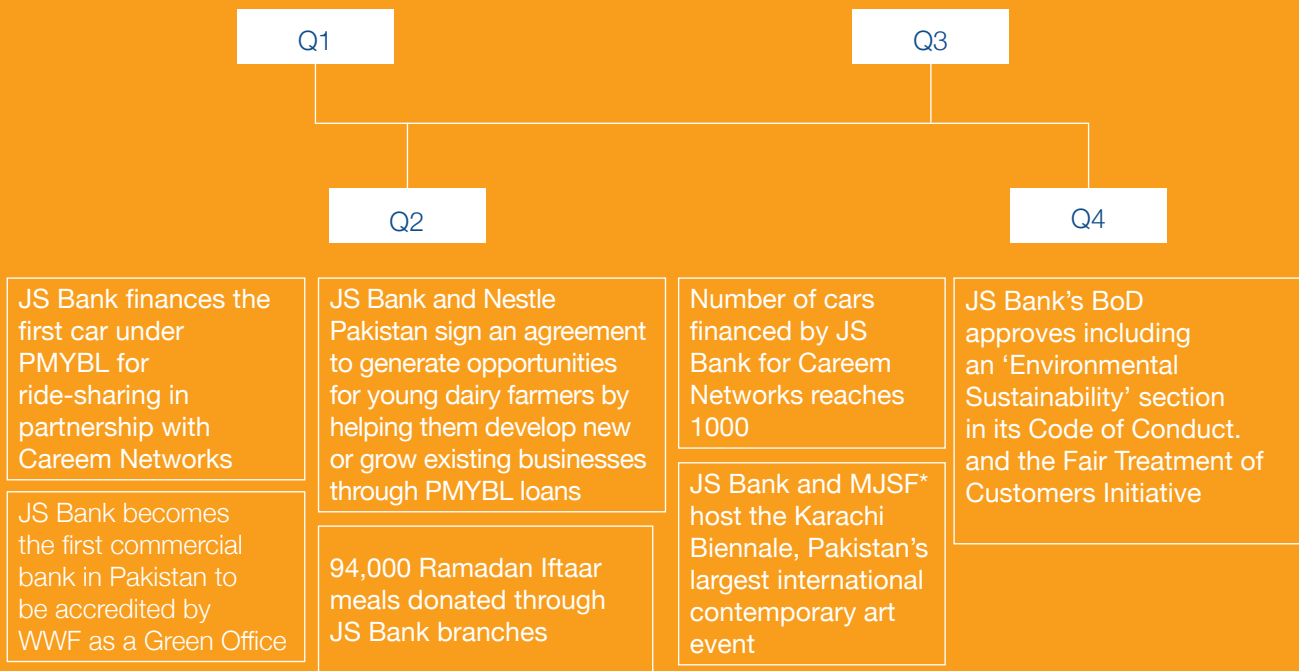
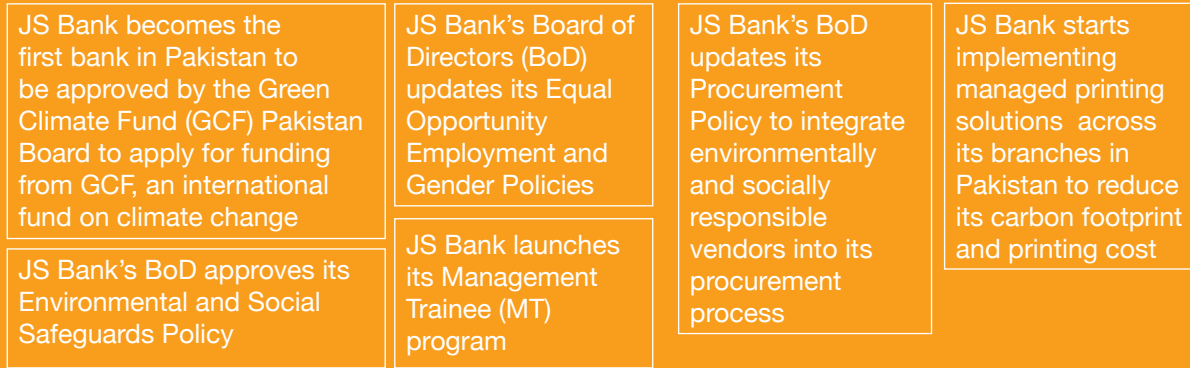
JS Bank carries out major philanthropic activities in partnership with the Mahvash and Jahangir Siddiqui Foundation (MJSF) and Future Trust. The Bank provides financial and human resources to both organizations.

| Categories | Key Initiatives |
|-----------------------------------|--|
| Promoting Sustainable Ventures | <ul style="list-style-type: none"> Applying for Climate Finance Partnering with USAID for Clean Energy Financing Bringing Basic Financial Services to the Underserved Supporting Young Digital Entrepreneurs Solar Energy Financing for Homes |
| Supporting Communities | <ul style="list-style-type: none"> Financing Micro Lenders Promoting SMEs Iftaar for the Underprivileged Sharing the Gift of Vision and Good Health Being the First to Respond to Emergencies Educating the Future Recognizing People’s Potential Lending to the Youth Sponsoring Opportunities for Social Changemakers Promoting the Arts |
| Managing Operational Footprint | <ul style="list-style-type: none"> Solarizing Branches Reducing our Carbon Footprint Minimizing Use of Resources through IT Initiatives |
| Investing in Employee Development | <ul style="list-style-type: none"> JS Bank Learning Academy Growth and Diversity Management Trainee Program Employee Snapshots |

Employee Snapshots

Our Year at a Glance

These are the CSR issues that JS Bank reported on during the year



* Mahvash and Jahangir Siddiqui Foundation

Environmental and Social Engagements

Promoting Sustainable Ventures

JS Bank is keen in supporting our client's sustainability initiatives and is taking steps towards being a leader in climate finance.

Applying for Climate Finance

JS Bank was approved by the Green Climate Fund (GCF) Pakistan Board in February 2017 to become the first commercial bank to apply for GCF funding.

Benefits of being an accredited entity of the GCF:

- Access to international climate change funds
- Enhancing local climate change resilience
- Developing and implementing environmental standards for the banking industry

Partnering with USAID for Clean Energy Financing

In sync with its sustainability policy, JS Bank is collaborating with USAID to create a sustainable and efficient renewable energy environment in a clean, responsible and environmentally friendly manner by allowing small scale energy projects access to long term rupee financing through the Bank. This also encourages private investments in clean energy.

This is in line with our strategy to engage with various stakeholders that range from non-profits to government bodies to multilateral organizations. This allows us to not only help them in improving their sustainability performance but allows us at the same time to deepen our expertise while creating opportunity for sustainability.

Bringing Basic Financial Services to the Underserved

In line with Pakistan's National Strategy of Financial Inclusion, JS Bank has launched its branchless banking initiative J-Cash with an agent network of over 32,000 agents across the country and has been providing mobile financial services since July 2016. Customers can access J-Cash services by visiting any J-Cash agent or by downloading the Mobile Wallet mobile application, JS Consumer Wallet. With the advent of 3G and rise in smartphone penetration in Pakistan, JS Bank strongly believes in the development and growth of a digital financial services ecosystem.

JS Bank is one of the few banks to offer biometric verification for opening mobile accounts. Biometric verification allows customers to receive funds directly into their accounts.

JS Bank has also been granted a funding of USD 450,000 (PKR 46.8 Million) from Karandaaz Pakistan under the Digitization of International Remittances project. Through J-Cash, JS Bank is digitizing international remittances being received in Pakistan allowing them to land directly into the customers mobile wallets. Customers will not be required to visit any branch or agent to get their remittance into their mobile wallets and an SMS alert will be sent to the customer to alert them of the transaction. The remittance can be easily cashed out through any J-Cash agent location or in the near future by using their debit cards. This also allows overseas Pakistanis to remit their money to relatives even in the most underrepresented regions of Pakistan without ever having to visit a bank branch.

Supporting Young Digital Entrepreneurs

JS Bank is the first bank in Pakistan with a fully functional Open Banking developer portal. Open Banking seeks to improve customer satisfaction and speed while lowering banking costs for consumers. This developer portal is expected to encourage young programmers and digital entrepreneurs to develop digital payments apps. 13 digital payments APIs (Application Programming Interfaces) are available for freelancers and local fintechs with more in the pipeline.

Solar Energy Financing for Homes

JS Bank has increased its focus on alternative and renewable energy such as solar power which is a key element of improving air quality and the sustainability of the mix of the country's energy sources. As the demand for clean energy continues to increase, JS Bank has come up with a solution, JS Ghar Apna Solar Panels to help its customers reduce their dependence on the grid for their energy requirements and utilize sustainable sources of energy. The core objective of JS Ghar Apna solar panels is to help increase awareness of alternate energy resources and help the country reduce its overall carbon footprint. Customers can obtain financing to acquire solar panels as a part of the JS Ghar Apna home loan, a mortgage finance facility.



JS Bank Promotes Sustainable Energy Production Across Pakistan

Supporting Communities

Our strategy is to engage with various stakeholders that range from non-profits to government bodies to multilateral organizations. This allows us to not only help them in improving their sustainability performance but allows us at the same time to deepen our expertise while creating opportunities for sustainability.

Financing Micro Lenders

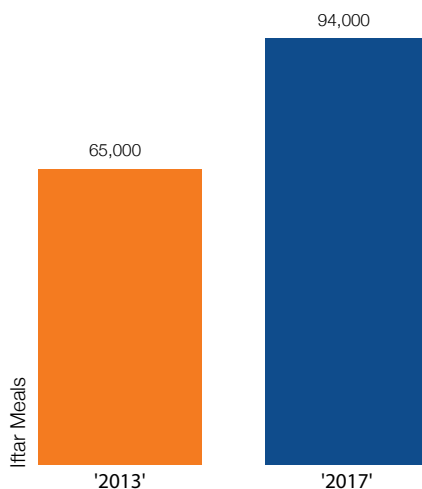
JS Bank is one of the largest lenders of microfinance in Pakistan through its lending to institutions like NRSP Bank, KASHF Foundation and Khushali Bank. JS Bank has been supporting microfinance since 2010 and is playing its part in helping to increase financial inclusion in the country.

Promoting SMEs

JS Bank is strategically aligned with USAID on developing & providing credit to the SME clientele of Pakistan. It is a partnership where the real beneficiaries are the people of Pakistan. Historically, the SME segment has remained an under-banked segment; where energy crisis, scarce resources, limited knowledge and lack of credit create bottlenecks. The partnership with USAID has added tremendous value in changing attitudes and acceptance of SMEs by acting as a catalyst and strengthening the national economy.

Iftaar for the Underprivileged

JS Bank along with the Mahvash and Jahangir Siddiqui Foundation (MJSF) arranged iftaar meals for the less privileged during the holy month of Ramadan in 2017. These iftaar meals are being provided on an annual basis since 2013.



Sharing the Gift of Vision and Good Health

The Mahvash and Jahangir Siddiqui Foundation (MJSF) medical and eye camps program initiated in collaboration with JS Bank is in response to the critical health care needs of the rural population who are deprived of basic health services due to non-availability and access issues. The program is being implemented by a dedicated health team comprising of doctors, eye surgeons, paramedics and volunteers and the designated JS Bank branch staffs since 2009, mainly in remote rural areas of Sindh, lower Punjab and Baluchistan. These camps attract patients from and around the respective camp locations and are announced publically through newspaper ads, pamphlets, hand-bills distribution, electronic media and megaphones. In 2017, over 18,000 patients were examined in these camps and almost 4,000 cataract surgeries were performed. In addition, 9,500 patients were screened for Hepatitis B and C.

Being The First To Respond To Emergencies

JS Bank and MJSF are active supporters of the First Response Initiative of Pakistan (FRIP). FRIP is a medical student-run organization that uses young doctors and medical students, already having medical knowledge, to prepare and train the general population in basic life-saving skills.

Educating the Future

JS Bank and Mahvash & Jahangir Siddiqui Foundation (MJSF) provided laptops to various DIL (Developments in Literacy) schools to support the right of education for underprivileged children. Operating 126 school campuses across three provinces in Pakistan, DIL provides education from primary to matric level. DIL actively promotes female education with an enrollment rate of 67% along with employing nearly 90% women as a part of the school staff. DIL model focuses on a child-centered approach, emphasizing on gender sensitivity and inclusiveness for all, relying heavily on community support and participation.

MJSF has also collaborated with the Uqaily Family & Friends Association (UFFA) to adopt an existing government school in Thatta. The project has been undertaken through the cooperation of Sindh Education Foundation along with Education & Literacy Department Sindh. The school will cater to the educational needs of 200 children with state-of-the-art facilities being provided such as modern computers and audio visuals labs, a library & sports ground.

JS Bank and MJSF created a unique redeemable endowment fund for Sukkur IBA (Institute of Business Administration). The seed capital for the endowment was handed over to IBA enabling them to earn a return on the funds and therefore to build a permanent endowment while IBA pledged to put in efforts to raise matching funds to grant scholarships to deserving students. Over 7 years, this endowment is expected to grow to a sustainable size where it can continue to support students in perpetuity without fund raising. The scheme is completely replicable and adaptable to any institute and discipline.



JS Bank and Careem have Disbursed Over PKR 1 Billion for a Thousand Cars to Enable Entrepreneurship.

Recognising People's Potential

JS Bank through MJSF supports the Karigar Training Institute (KTI). KTI was established in response to the urgent need to provide specialized skills to underprivileged segments of society to help them earn an honest living.

Lending to the Youth

Prime Minister's Youth Business Loan (PMYBL) is a loan scheme which has been introduced by the Government of Pakistan. JS Bank as a lender to the PMYBL program is empowering youth by offering them loan facilities in order to establish or expand their businesses. The loan facility is being offered for a period of eight years with a grace period of twelve months at extremely competitive pricing in order to make the loan facility practical and viable for the youth. JS Bank at present has 14 dedicated branches which cater to all PMYBL applications throughout Pakistan.

The goal of JS PMYBL is to enable the youth of Pakistan by providing opportunities of financial independence through self-employment and creating entrepreneurs and future leaders. Since the start of the PMYBL program in 2015, JS Bank has made a difference in many lives through the PMYBL program by enabling the youth to create their own success stories.

Nestle

JS Bank strongly believes that the sustainable development of agriculture and dairy will allow Pakistan to achieve food and nutrition security. To further this cause, JS Bank has joined hands with Nestle Pakistan under the Prime Minister Youth Business Loan (PMYBL) program to generate opportunities for young dairy farmers, between the ages of 21 and 45 years, by helping them develop new or grow their existing businesses.

One use of this loan will be to assist farmers in enhancing milk production utilizing best practices and knowledge shared by Nestle Pakistan and enabled by JS Bank through rebated PMYBL loans. Loans to these farmers will be given out at a low mark-up in order to improve livelihoods in communities.

This partnership will allow JS Bank to provide financing to support farmers through a range of activities, including improving access to markets, training and technical support, helping them develop alternative income streams, and supporting young farmers. By understanding and managing issues farmers and their communities face, the partnership hopes to better support rural development, promote better agricultural practices and address issues such as rural poverty.

Careem

Under the PMYBL program, JS Bank has entered into partnership with Careem Networks (Pvt.) Limited. The objective behind this is to empower Pakistani youth by financing vehicles at highly subsidized markup rates for use on the Careem Network as an owner-driver. This is a part of the Bank's efforts to offer unprecedented potential for self-employment, business development and poverty reduction. Careem drivers (or Captains) clearing a performance criterion are eligible to apply for loans through JS Bank to purchase their own vehicles and drive independently for Careem. The program has proved to be immensely popular with Careem Captains and has already contributed over PKR 1 billion to the automotive industry through the purchase of our 1,000 cars.

Sponsoring Opportunities for Social Changemakers

JS Bank is one of the leading sponsors of the Acumen Pakistan Fellows Program having supported this initiative since 2013. The Acumen Pakistan Fellows Program is a one-year leadership development program designed to build the next generation of social leaders who will be able to transform society and create a better and more inclusive world.

Every year, the Acumen Pakistan Fellows Program equips 20 extraordinary individuals with the knowledge, support system and practical wisdom to drive positive change in society. Over the course of a year, Fellows remain in their jobs while taking part in a rigorous program where they receive the tools, training and space to innovate new ideas, accelerate their impact, and build a strong network of social leaders from across their region and around the world.

There have been 88 Acumen Pakistan Fellows since the program started. They work in diverse fields ranging from education and health to energy and women's empowerment.

Some Acumen investee companies:

Sehat Kahani: A social impact initiative working to improve basic health care in communities through a spectrum of services focused on primary health care consultation, health awareness and health counselling.

Roshni Helpline: A social venture which helps families in the search and recovery of missing children and offers psycho-social support to the victims and their families.

Peshawar 2.0: A social enterprise fostering the startup ecosystem in Peshawar. Amal Academy: An education venture that helps Pakistani youth realize their dreams.

Amal Academy: An education venture that helps Pakistani youth realize their dreams.



JS Bank and MJSF support the Acumen Fellows Program

Promoting the Arts

JS Bank as a part of the JS Group was the main sponsor for the Karachi Biennale. The Karachi Biennale 2017 was the city's biggest and most exciting art event. The primary objective of the event was to bring together diverse cultures using the nation's art in order to create a sense of togetherness and familiarity. Various art enthusiasts from all over the world took part in showcasing their work, hoping to develop a sense of communal togetherness among all diverse cultures of the country.



Artist Ali Kazim was Awarded the Mahvash and Jahangir Siddiqui Juried Art Prize

Managing Our Operational Footprint

As we grow, we are looking to manage our offices and branches in an efficient and sustainable manner. We are focusing on reducing our energy use, paper wastage and using renewable energy to manage and limit our carbon footprint.

Solarizing Branches

JS Bank has more than 100 of its branches operating on solar power. That means all computers, servers, ATMs and teller stations in these branches are powered by solar energy. JS Bank's Administration department manages the physical locations and makes efforts to incorporate energy efficiency and renewable energy initiatives in our branches so that they function efficiently while reducing operational costs.

Reducing our Carbon Footprint

The Green Office Initiative is a practical and simple Environmental Management System developed by WWF (World Wildlife Fund) specifically for office conditions. In 2017, JS Bank became the first commercial bank in Pakistan to be certified for the Green Office Initiative by WWF Pakistan and is one of the 47 companies to have adopted the Initiative.

As a part of the certification process, WWF undertook a comprehensive audit using stringent guidelines to check all the processes and procedures adopted by JS Bank for energy conservation & waste management at its Head Office. The Bank successfully met all the requirements set by WWF and was declared as being Green Office certified. The Green Office Initiative also educates employees to be better and responsible citizens and understand their civic and environmental responsibilities.

JS Bank is working actively with WWF Pakistan to reduce its environmental footprint. Not only does the certification help to cut down on energy costs, reduce waste and make better procurement choices, it also increases environmental awareness among employees.

Minimizing Use of Resources through IT Initiatives

Digitization and Archiving of Bank Records

Converting bank records to digital files has helped the Bank in reducing required storage space while at the same time it has cut down on paper consumption and the 'on-time' needed to sort and search through files. The introduction of this solution has also increased electronic document sharing between different offices and regions cutting down cost of paper print & dispatch and sharing of document over emails. This has also controlled and reduced data storage requirements.

Server Virtualization

170 application servers have been virtualized in JS Bank's data center; saving electricity, space and heat generation.

Virtual Desktop Interface (VDI)

A majority of JS Bank branches have zero/thin hardware clients instead of desktop computers to save power consumption and space.

Document Management System (DMS)

A DMS is in place for paperless account opening and other electronic document management.

Enhancing Procure-to-Pay

The Bank has enhanced its Procure-to-Pay system by digitizing the integration of the procurement process with the Accounts Payable department. Not only has this led to a huge reduction in paper consumption but also in the time taken for requisition & payment approvals.

Investing in Employee Development

For gaining a sustained competitive advantage in today's banking industry, it is imperative for organizations to build a high-quality human capital talent pool. Retaining key talent means motivating and developing staff by imparting additional knowledge and skills to keep them abreast of the latest developments in banking and finance. Keeping this in view, JS Bank has made the Learning & Organizational Development (L&OD) function an integral part of the employee development process.

JS Bank Learning Academy

JS Bank Learning Academy started in October of 2016 with the sole purpose of driving the Bank forward by utilizing and training human capital. In 2017, over 28,000 man-hours of training were conducted using e-learning and other platforms. The Academy focuses on technical, skills and soft skills trainings.

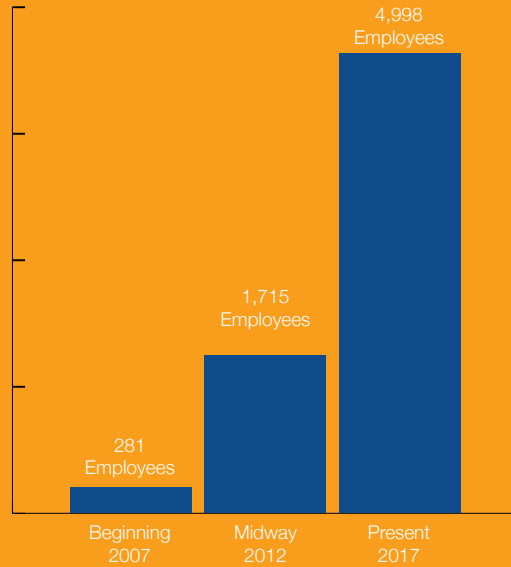
The goal is to focus on:

- Technical and behavioral skills of the team members
- Devising a succession plan by identifying potential leaders
- Hiring, training and developing teams to fulfill the Bank's HR needs

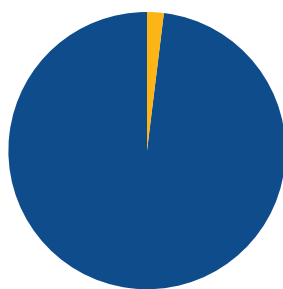
Growth and Diversity

Our Bank's success depends on our human capital which we believe is our most important capital. We push our people to continuously learn and grow while upholding the highest levels of integrity.

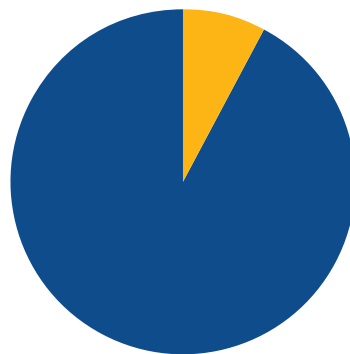
Our Employees



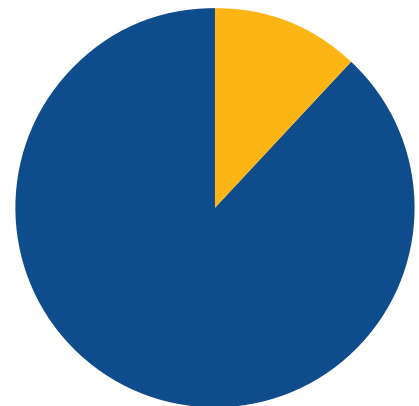
Our Female Employees



Beginning 2007
30 employees



Midway 2012
198 employees



Present 2017
605 employees

■ Female Employees ■ Total Employees

Management Trainee Program

Future success requires attracting the most talented individuals. For us, that means finding dynamic people with the right skillset who share our corporate values and are committed to the highest standards of ethics and integrity. In 2017, JS Bank launched its Management Trainee (MT) program to equip these new hires with the required skills, judgment, and know-how of being effective and responsible managers. Our training program ended at the end of the year with MTs being incorporated into the workforce at the Bank in various departments.

Employee Snapshots

Kiran Jalil

Business Conduct Manager

As a Business Conduct Manager, I have been responsible for managing the 'Fair Treatment of Customers' initiative. The concept is still relatively nascent in the banking landscape of Pakistan however JS Bank has taken the lead in spearheading this initiative for its customers. The goal is to establish the right culture within the Bank and to ensure fair outcomes for consumers and stakeholders. The feedback received regarding the initiative is highly encouraging and I hope to use the support and momentum to ensure that JS Bank delivers the best possible services to its customers.

Soofi Saifullah Akber

Senior Dealer, Money Market Treasury

Coming from a rural background, I had the opportunity to win a scholarship to one of Pakistan's top business schools. After that, I started my professional journey with JS Bank as an entry level resource on the Bank's Treasury Sales Desk. Since then I have grown professionally as well as personally to become an experienced financial markets' professional while working on different functions within the bank's Treasury Front Office which include liquidity management, asset liability management, equity trading, fixed income trading and sales as well as foreign exchange trading and sales. I strongly believe that JS Bank has refined me into who I am today.

Farah Deeba

Area Manager, Sukkur

Since becoming a part of JS Bank, I have found the Bank's management to be extremely appreciative and supportive of its employees. This constant source of motivation and inspiration has been a driving factor for the tremendous growth that the Bank has achieved during the past decade. I would like to take this opportunity to applaud the Bank's management team for its focus on continuous improvement and investment in information technology, business development and strategy and I look forward to greater success in the future.

Ahsan Amjad

Head of Retail Assets

I have worked at many other banks but JS Bank is different. The reason for this can be summed up in two words: innovation & culture. I have been associated with JS Bank for the past 5 years and the challenge of delivering innovative, vibrant and personalized solutions is what makes this Bank an exceptional place to work at. The employees are encouraged to add value to lives of the customers and deliver outstanding service. With its strategic vision, JS Bank is heading towards becoming the best with an unparalleled experience in the area of retail banking.



Notice of Twelfth Annual General Meeting

Notice is hereby given that the Twelfth Annual General Meeting of the shareholders of JS Bank Limited (the "Bank") will be held on Thursday, March 29, 2018 at 9:45 a.m. at Defence Hall, Defence Authority Creek Club, Karachi, to transact the following business

ORDINARY BUSINESS:

1. To receive, consider and adopt the Annual Audited Standalone and Consolidated Financial Statements of the Bank for the year ended December 31, 2017 together with the Directors' and Auditors' Reports thereon.
2. To appoint the Auditors of the Bank for the year ending December 31, 2018 till the conclusion of the next Annual General Meeting and fix their remuneration. Messrs. EY Ford Rhodes, Chartered Accountants (a Member firm of Ernst & Young Global Limited) are eligible to offer themselves for re-appointment as Auditors.
3. To consider and approve final cash dividend on preference shares @ 12% p.a. (i.e. PKR 1.20 per preference share) subject to deduction of income tax, to the Preference Shareholders for the year ended December 31, 2017, as recommended by the Board of Directors.

SPECIAL BUSINESS:

4. Increase in Authorized Capital

To consider and if thought fit, to increase the Authorized Share Capital of the Bank from PKR 20,000,000,000 to PKR 25,000,000,000 and to pass the following special resolutions with or without modifications:

"RESOLVED THAT, subject to approval of the State Bank of Pakistan, the Authorized Share Capital of the Bank be increased from PKR 20,000,000,000 (Rupees Twenty Billion) divided into 1,850,000,000 Ordinary Shares of PKR 10/- each and 150,000,000 Preference Shares of PKR 10/- each to PKR 25,000,000,000/- (Rupees Twenty Five Billion) divided into 2,350,000,000 (Two Billion Three Hundred Fifty Million) Ordinary Shares of PKR 10 each and 150,000,000 (One Hundred Fifty Million) Preference Shares of PKR 10/- each with such rights, preferences, privileges and conditions as are specified in the Articles of Association of the Bank."

FURTHER RESOLVED THAT, the text of Clause V of the Memorandum of Association and Article 6 of the Articles of Association be and are hereby substituted with the following, respectively:

Clause V of the Memorandum of Association

"The Authorized Share Capital of the Company is PKR 25,000,000,000/- (Rupees Twenty Five Billion) divided into 2,350,000,000 (Two Billion Three Hundred Fifty Million) Ordinary Shares of PKR 10 each and 150,000,000 (One Hundred Fifty Million) Preference Shares of PKR 10/- each with such rights, preferences, privileges and conditions as are specified in the Articles of Association of the Company."

Article 6 of the Articles of Association

"The Capital of the Company is PKR 25,000,000,000/- (Rupees Twenty Five Billion) divided into 2,350,000,000 (Two Billion Three Hundred Fifty Million) Ordinary Shares of PKR 10 each and 150,000,000 (One Hundred Fifty Million) Preference Shares of PKR 10/- each with such rights, preferences, privileges and conditions as are specified in these Articles."

FURTHER RESOLVED THAT, the Company Secretary be and is hereby authorized and empowered on behalf of the Bank to take all steps and actions necessary, ancillary and incidental for the increase in authorised capital of the Bank and to do all acts, matters, deeds and things as may be necessary or expedient for the purpose of giving effect to the special resolution in letter and spirit, including but not limited to paying the fee to the SECP for the increase in authorised capital and submission of Form 7.

5. Amendment in Memorandum of Association

To consider and if thought fit, amend Clause 2 of Memorandum of Association of the Bank and to pass following special resolution with or without modifications:

“RESOLVED THAT, subject to the approval of the State Bank of Pakistan and the Securities & Exchange Commission of Pakistan, Clause 2 of Memorandum of Association of the Bank be and is hereby amended by inserting following new sub clause (g) and accordingly renumbering existing sub clauses from (g) to (t):

(g) To act as ‘banker to the issue’ under the provisions of Section 63 of the Securities Act, 2015 read with the Regulations 2(1)(iv) and 6(3) of Public Offering (Regulated Securities Activities Licensing) Regulations 2017 , as may be amended from time to time.

Karachi: March 7, 2018

By Order of the Board
Ashraf Shahzad
Company Secretary

Notes:

1. Share transfer books of the Bank will remain closed from March 22, 2018 to March 28, 2018 (both days inclusive). Transfers received in order at Bank’s Independent Share Registrar, Central Depository Company of Pakistan Limited, CDC House, Shakra-e-Faisal, Karachi at the close of business on March 21, 2018 will be treated in time for purposes of payment of the final cash dividend (subject to approval of the members) and to attend and vote at the Meeting.
2. A member of the Bank entitled to attend and vote may appoint another member as his/her proxy to attend and vote instead of him/her.
3. Proxies must be received at the Registered Office of the Bank not later than 48 hours before the time of the Meeting.
4. Beneficial owners of the shares registered in the name of Central Depository Company of Pakistan (CDC) and/or their proxies will have to follow the following guidelines as laid down by the Securities and Exchange Commission of Pakistan:

For Attending the Meeting

- In case of Individuals, the account holder and/or sub-account holder whose registration details are uploaded as per the CDC Regulations, shall authenticate his/her identity by showing his/her original CNIC or original Passport along with Participant ID number and the account number at the time of attending the Meeting.
- In case of corporate entity, the Board’s resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

For Appointing Proxies

- In case of individuals, the account holder and/or sub-account holder whose registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per above requirements.
- The proxy form shall be witnessed by two persons, whose names, addresses and CNIC numbers shall be mentioned on the form.
- Attested copies of the CNIC or the passport of beneficial owners and the proxy shall be furnished with the proxy form.
- The proxy shall produce his original CNIC or original passport at the time of the Meeting.
- In case of corporate entity, the Board's resolution / power of attorney with specimen signature shall be furnished (unless it has been provided earlier) along with proxy form to the Bank.
- Shareholders are requested to notify immediately for any change in their address.

Notice to Shareholders who have not provided CNIC:

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

Placement of Financial Statements

The Bank has placed the annual Audited Financial Statements for the year ended December 31 2017, along with the Auditors and Directors Reports on its website: www.jsbl.com.

Mandate for E-DIVIDENDS for shareholders

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

Deduction of Income Tax from Dividend at Revised Rates

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

| S. no | Nature of Shareholders | Rate of deduction |
|-------|----------------------------------|-------------------|
| 1 | Filers of Income Tax Return | 15% |
| 2 | Non- Filers of Income Tax Return | 20% |

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

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

Statement Under Section 134(3) of the Companies Act, 2017

This statement sets out the material facts pertaining to the special business to be transacted at the Annual General Meeting of JS Bank Limited (the “Bank”) to be held on March 29, 2018.

Increase in authorized Capital

JS Bank Limited on December 29, 2017 issued Privately Placed Term Finance Certificates (PPTFC) as Tier II Capital. Basel III as implemented vide SBP’s Circular BPRD Circular No. 06 dated August 15, 2013 (“SBP Circular”), which prescribes a mandatory loss absorption feature for Tier II capital instruments pursuant to which the PPTFCs will be mandatorily converted into Ordinary Shares of the Bank at the Point of Non-Viability (PONV) trigger event as defined in the Basel III regulations. In accordance with the requirements of SBP Circular, the Bank has agreed with the SBP for the issuance of a maximum of 320 million shares against PPTFC in case of the occurrence of a PONV trigger event and the Bank is required to ensure there are no impediments to the conversion of the PPTFCs, such that the Bank is required to ensure there is sufficient room in the authorized capital of the Bank and all necessary authorizations for conversion are obtained prior to the conversion of the PPTFCs into Ordinary Shares.

In order to create sufficient room in the authorized capital of the Bank, to enable mandatory conversion of PPTFCs into ordinary shares on the PONV trigger event, it is proposed to increase the authorized capital of the Bank from PKR 20,000,000,000/- (Rupees Twenty Billion) to PKR 25,000,000,000 (Rupees Twenty Five Billion) divided into 2,350,000,000 (Two Billion Three Hundred Fifty Million) Ordinary Shares of PKR 10 each and 150,000,000 (One Hundred Fifty Million) Preference Shares of PKR 10/- each. Total increase in authorized capital will be by PKR 5 Billion (500 Million Ordinary Shares).

Amendment in Memorandum of Association

The Securities & Exchange Commission of Pakistan (SECP) has granted license to JS Bank Limited to act as Banker to the Issue under the provisions of regulations 6(3) of Public Offering (Regulated Securities Activities Licensing) Regulations 2017 subject to the condition that the Bank shall amend its Memorandum of Association to incorporate a specific clause authorizing the Bank to act as Banker to the Issue and provide the certified true copy of the amended Memorandum of Association & Articles of Association of the Bank to SECP latest by June 30, 2018.

Statement under Regulation 4 (2) of the Companies (Investment in Associated Companies or Associated Undertaking) Regulation, 2012

The Bank in its Annual General Meeting held on March 29, 2017 had approved long term equity investments of up to PKR 675 million in ordinary shares of each of the following associated companies of the Bank. The resolution is valid for a period of three years commencing from March 29, 2017.

| S. no | Name of Company | Total Investment approved upto PKR | Amount of Investment till Dec. 31,2017 PKR | Reasons for not making complete investment in the specified time | Material change in Financial Statement of Associated Companies |
|-------|----------------------------|------------------------------------|--|--|--|
| 1 | EFU Life Assurance Ltd | 675 million | 190.6 million | Time remaining | No |
| 2 | EFU General Insurance Ltd. | 675 million | 489 million | Time remaining | No |

Financial Highlights

Six Years' Horizontal Analysis

| | 6 Years CAGR | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|-----------------|----------------|----------------|----------------|----------------|----------------|---------------|
| PKR Millions | | | | | | | |
| Statement of Financial Position | | | | | | | |
| Assets | | | | | | | |
| Cash and balances with treasury banks | 28% | 17,334 | 15,509 | 11,159 | 9,041 | 7,774 | 5,027 |
| Balances with other banks | 40% | 1,034 | 753 | 584 | 412 | 515 | 1,179 |
| Lendings to financial institutions | -4% | 3,116 | 11,334 | 3,581 | 11,080 | 21,586 | 3,941 |
| Investments - net | 40% | 169,612 | 133,727 | 116,030 | 84,258 | 42,679 | 46,259 |
| Advances - net | 47% | 184,140 | 93,794 | 76,666 | 62,433 | 33,763 | 20,055 |
| Operating fixed assets | 15% | 7,113 | 5,837 | 4,574 | 3,767 | 3,628 | 3,165 |
| Deferred tax assets - net | -100% | - | - | - | - | 884 | 699 |
| Other assets | 33% | 5,961 | 3,746 | 5,882 | 5,726 | 1,942 | 1,244 |
| Total Assets | 39% | 388,309 | 264,700 | 218,476 | 176,717 | 112,770 | 81,570 |
| Liabilities | | | | | | | |
| Bills payable | 21% | 3,824 | 2,544 | 1,609 | 1,380 | 1,415 | 714 |
| Borrowings | 67% | 64,557 | 10,320 | 54,638 | 50,538 | 20,151 | 8,222 |
| Deposits and other accounts | 38% | 290,078 | 226,099 | 141,840 | 108,740 | 80,916 | 62,544 |
| Sub-ordinated loans | 0% | 4,999 | 3,000 | - | - | - | - |
| Deferred tax liabilities | 0% | 797 | 1,205 | 1,695 | 445 | - | - |
| Other liabilities | 46% | 7,385 | 4,883 | 2,724 | 2,535 | 1,354 | 1,123 |
| Total Liabilities | 41% | 371,640 | 248,051 | 202,508 | 163,637 | 103,836 | 72,603 |
| Net Assets | 14% | 16,669 | 16,650 | 15,968 | 13,080 | 8,934 | 8,967 |
| Represented by: | | | | | | | |
| Share capital | 1% | 10,725 | 10,725 | 10,725 | 10,725 | 10,725 | 10,725 |
| Discount on issue of shares | 1% | (2,105) | (2,105) | (2,105) | (2,105) | (2,105) | (2,105) |
| Preference shares | 0% | 1,500 | 1,500 | 1,500 | 1,500 | - | - |
| Reserves | 61% | 1,541 | 1,334 | 919 | 514 | 302 | 231 |
| Accumulated profits / (losses) | 0% | 4,519 | 3,973 | 2,529 | 1,071 | 218 | (65) |
| Surplus / (deficit) on revaluation of assets - net of tax | 0% | 490 | 1,223 | 2,401 | 1,376 | (205) | 181 |
| Total Equity | 14% | 16,669 | 16,650 | 15,968 | 13,080 | 8,934 | 8,967 |
| Profit & Loss Account | | | | | | | |
| Mark-up / return / interest earned | 30% | 20,381 | 15,081 | 15,328 | 11,113 | 6,850 | 6,023 |
| Fee, commission and brokerage income | 35% | 2,124 | 1,427 | 1,124 | 835 | 652 | 566 |
| Gain on sale of securities - net | 31% | 1,236 | 2,965 | 1,799 | 1,514 | 339 | 826 |
| Income from dealing in foreign currencies | 24% | 357 | 313 | 288 | 272 | 269 | 205 |
| Dividend income | 42% | 167 | 98 | 85 | 135 | 378 | 163 |
| Other Income | 23% | 169 | 59 | (6) | (165) | 40 | 46 |
| Total Gross Income | 30% | 24,434 | 19,942 | 18,618 | 13,704 | 8,528 | 7,829 |
| Mark-up / return / interest expensed | 33% | 14,139 | 9,353 | 9,738 | 7,259 | 4,525 | 3,758 |
| Provision/ (reversal) against non-performing loans and advances | 0% | 203 | (64) | 675 | 658 | 430 | 458 |
| Provision / (reversal) of diminution in value of investments | 0% | 123 | 415 | 141 | 161 | 23 | 52 |
| Non-mark-up / interest expenses | 26% | 8,347 | 6,848 | 4,890 | 4,017 | 3,049 | 2,582 |
| Total Operating Expenses | 31% | 22,812 | 16,552 | 15,444 | 12,095 | 8,026 | 6,850 |
| Profit Before Taxation | 20% | 1,621 | 3,390 | 3,174 | 1,608 | 501 | 980 |
| Taxation | 24% | 647 | 1,313 | 1,148 | 548 | 150 | 270 |
| Profit After Taxation | 18% | 973 | 2,077 | 2,026 | 1,060 | 351 | 709 |

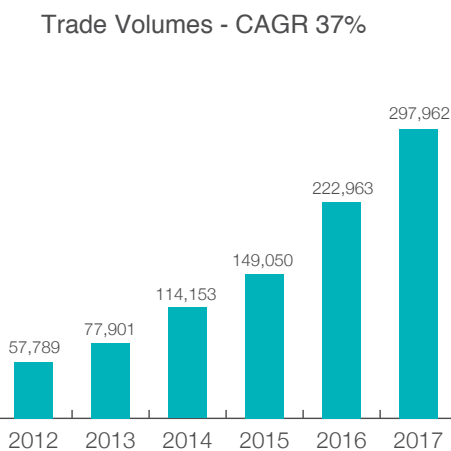
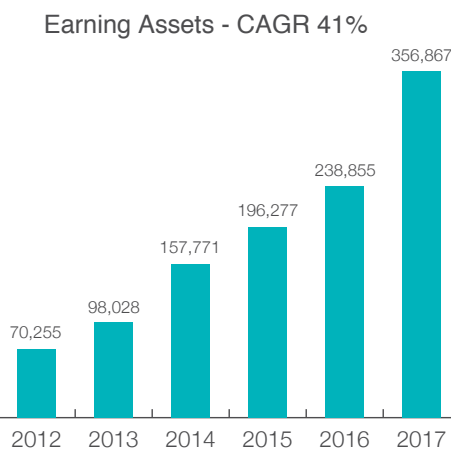
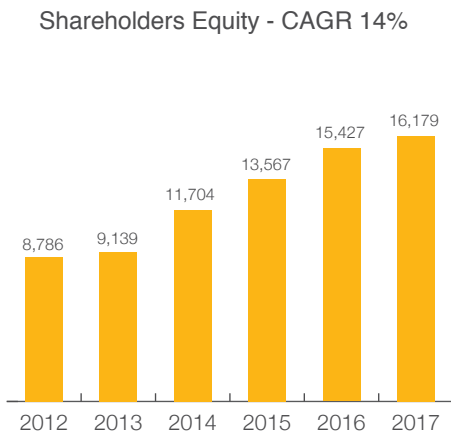
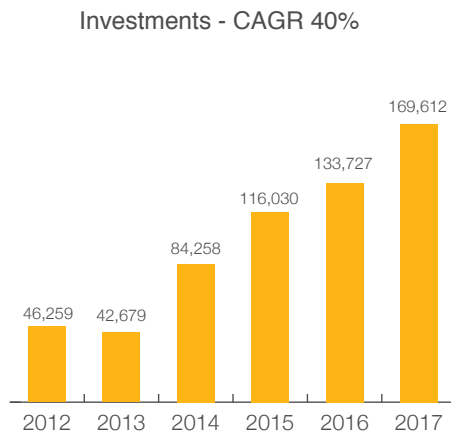
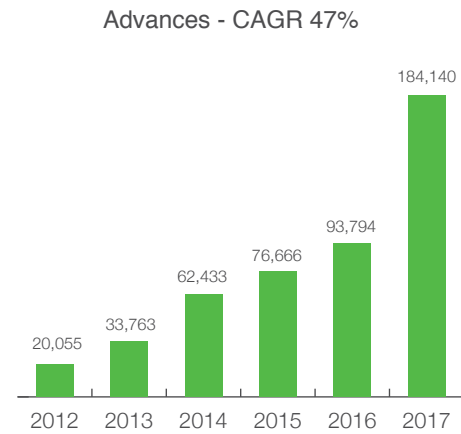
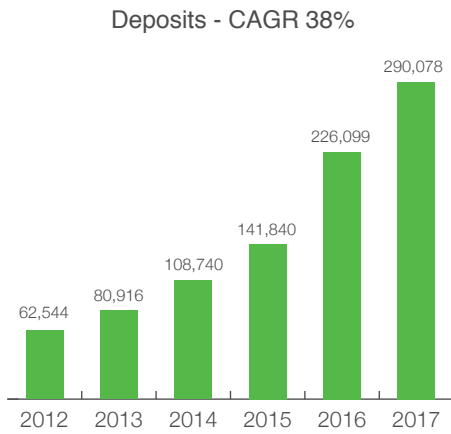
Six Years' Vertical Analysis

| | 2017 | % | 2016 | % | 2015 | % | 2014 | % | 2013 | % | 2012 | % |
|---|----------------|-------------|----------------|-------------|----------------|-------------|----------------|-------------|----------------|-------------|---------------|-------------|
| | PKR Millions | | | | | | | | | | | |
| Statement of Financial Position | | | | | | | | | | | | |
| Assets | | | | | | | | | | | | |
| Cash and balances with treasury banks | 17,334 | 4% | 15,509 | 6% | 11,159 | 5% | 9,041 | 5% | 7,774 | 7% | 5,027 | 6% |
| Balances with other banks | 1,034 | 0% | 753 | 0% | 584 | 0% | 412 | 0% | 515 | 0% | 1,179 | 1% |
| Lendings to financial institutions | 3,116 | 1% | 11,334 | 4% | 3,581 | 2% | 11,080 | 6% | 21,586 | 19% | 3,941 | 5% |
| Investments - net | 169,612 | 44% | 133,727 | 51% | 116,030 | 53% | 84,258 | 48% | 42,679 | 38% | 46,259 | 57% |
| Advances - net | 184,140 | 47% | 93,794 | 35% | 76,666 | 35% | 62,433 | 35% | 33,763 | 30% | 20,055 | 25% |
| Operating fixed assets | 7,113 | 2% | 5,837 | 2% | 4,574 | 2% | 3,767 | 2% | 3,628 | 3% | 3,165 | 4% |
| Deferred tax assets - net | - | 0% | - | 0% | - | 0% | - | 0% | 884 | 1% | 699 | 1% |
| Other assets | 5,961 | 2% | 3,746 | 1% | 5,882 | 3% | 5,726 | 3% | 1,942 | 2% | 1,244 | 2% |
| Total Assets | 388,309 | 100% | 264,700 | 100% | 218,476 | 100% | 176,717 | 100% | 112,770 | 100% | 81,570 | 100% |
| Liabilities | | | | | | | | | | | | |
| Bills payable | 3,824 | 1% | 2,544 | 1% | 1,609 | 1% | 1,380 | 1% | 1,415 | 1% | 714 | 1% |
| Borrowings | 64,557 | 17% | 10,320 | 4% | 54,638 | 25% | 50,538 | 29% | 20,151 | 18% | 8,222 | 10% |
| Deposits and other accounts | 290,078 | 75% | 226,099 | 85% | 141,840 | 65% | 108,740 | 62% | 80,916 | 72% | 62,544 | 77% |
| Sub-ordinated loans | 4,999 | 1% | 3,000 | 1% | - | 0% | - | 0% | - | 0% | - | 0% |
| Deferred tax liabilities | 797 | 0% | 1,205 | 0% | 1,695 | 1% | 445 | 0% | - | 0% | - | 0% |
| Other liabilities | 7,385 | 2% | 4,883 | 2% | 2,724 | 1% | 2,535 | 1% | 1,354 | 1% | 1,123 | 1% |
| Total Liabilities | 371,640 | 96% | 248,051 | 94% | 202,508 | 93% | 163,637 | 93% | 103,836 | 92% | 72,603 | 89% |
| Net Assets | 16,669 | 4% | 16,650 | 6% | 15,968 | 7% | 13,080 | 7% | 8,934 | 8% | 8,967 | 11% |
| Represented by: | | | | | | | | | | | | |
| Share capital | 10,725 | 3% | 10,725 | 4% | 10,725 | 5% | 10,725 | 6% | 10,725 | 10% | 10,725 | 13% |
| Discount on issue of shares | (2,105) | -1% | (2,105) | -1% | (2,105) | -1% | (2,105) | -1% | (2,105) | -2% | (2,105) | -3% |
| Preference shares | 1,500 | 0% | 1,500 | 1% | 1,500 | 1% | 1,500 | 1% | - | - | - | - |
| Reserves | 1,541 | 0% | 1,334 | 1% | 919 | 0% | 514 | 0% | 302 | 0% | 231 | 0% |
| Accumulated profits / (losses) | 4,519 | 1% | 3,973 | 2% | 2,529 | 1% | 1,071 | 1% | 218 | 0% | (65) | -0% |
| Surplus / (deficit) on revaluation of assets - net of tax | 490 | 0% | 1,223 | 0% | 2,401 | 1% | 1,376 | 1% | (205) | -0% | 181 | 0% |
| Total Equity | 16,669 | 4% | 16,650 | 6% | 15,968 | 7% | 13,080 | 7% | 8,934 | 8% | 8,967 | 11% |
| Profit & Loss Account | | | | | | | | | | | | |
| Mark-up / return / interest earned | 20,381 | 83% | 15,081 | 76% | 15,328 | 82% | 11,113 | 81% | 6,850 | 80% | 6,023 | 77% |
| Fee, commission and brokerage income | 2,124 | 9% | 1,427 | 7% | 1,124 | 6% | 835 | 6% | 652 | 8% | 566 | 7% |
| Gain on sale of securities - net | 1,236 | 5% | 2,965 | 15% | 1,799 | 10% | 1,514 | 11% | 339 | 4% | 826 | 11% |
| Income from dealing in foreign currencies | 357 | 1% | 313 | 2% | 288 | 2% | 272 | 2% | 269 | 3% | 205 | 3% |
| Dividend income | 167 | 1% | 98 | 0% | 85 | 0% | 135 | 1% | 378 | 4% | 163 | 2% |
| Other Income | 169 | 1% | 59 | 0% | (6) | -0% | (165) | -1% | 40 | 0% | 46 | 1% |
| Total Gross Income | 24,434 | 100% | 19,942 | 100% | 18,618 | 100% | 13,704 | 100% | 8,528 | 100% | 7,829 | 100% |
| Mark-up / return / interest expensed | 14,139 | 58% | 9,353 | 47% | 9,738 | 52% | 7,259 | 53% | 4,525 | 53% | 3,758 | 48% |
| Provision/ (reversal) against non-performing loans and advances | 203 | 1% | (64) | -0% | 675 | 4% | 658 | 5% | 430 | 5% | 458 | 6% |
| Provision / (reversal) of diminution in value of investments | 123 | 1% | 415 | 2% | 141 | 1% | 161 | 1% | 23 | 0% | 52 | 1% |
| Non-mark-up / interest expenses | 8,347 | 34% | 6,848 | 34% | 4,890 | 26% | 4,017 | 29% | 3,049 | 36% | 2,582 | 33% |
| Total Operating Expenses | 22,812 | 93% | 16,552 | 83% | 15,444 | 83% | 12,095 | 88% | 8,026 | 94% | 6,850 | 87% |
| Profit Before Taxation | 1,621 | 7% | 3,390 | 17% | 3,174 | 17% | 1,608 | 12% | 501 | 6% | 980 | 13% |
| Taxation | 647 | 3% | 1,313 | 7% | 1,148 | 6% | 548 | 4% | 150 | 2% | 270 | 3% |
| Profit After Taxation | 973 | 4% | 2,077 | 10% | 2,026 | 11% | 1,060 | 8% | 351 | 4% | 709 | 9% |

Financial Information

Balance Sheet

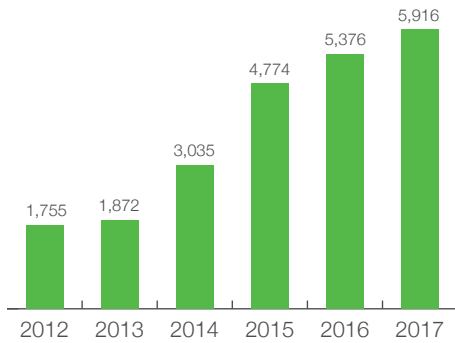
PKR Million



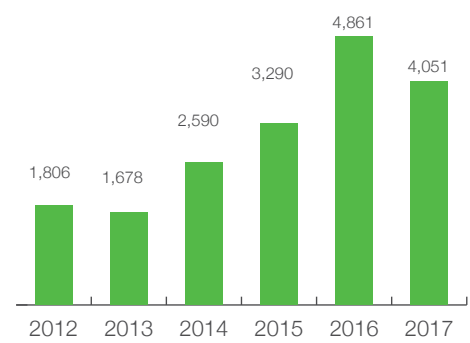
Profit and Loss Account

PKR Million

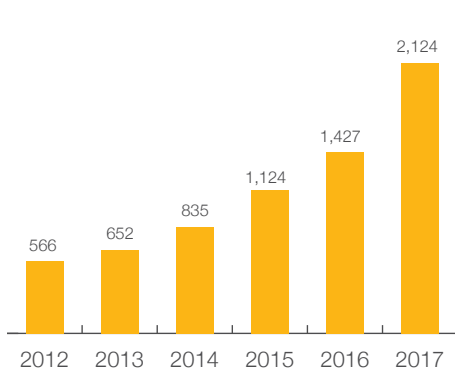
Net Markup Interest Income after provisions - CAGR 21%



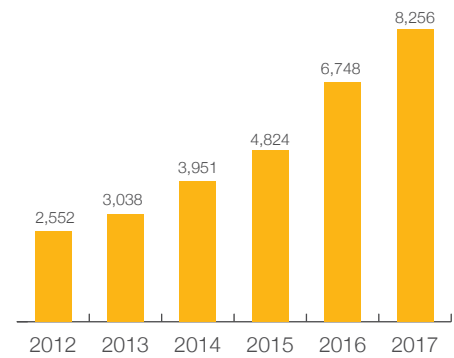
Non Markup Interest Income - CAGR 32%



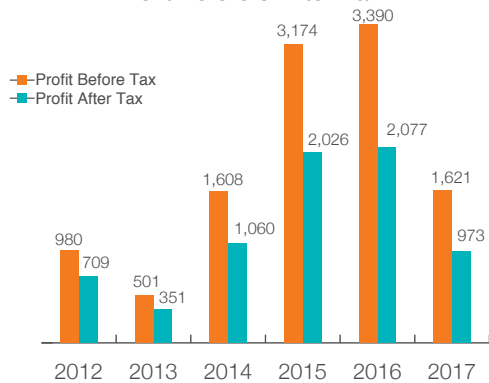
Fee Income - CAGR 35%



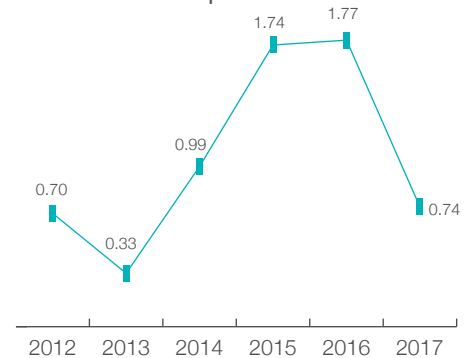
Administrative Expenses - CAGR 32%



Profit Before & After Tax

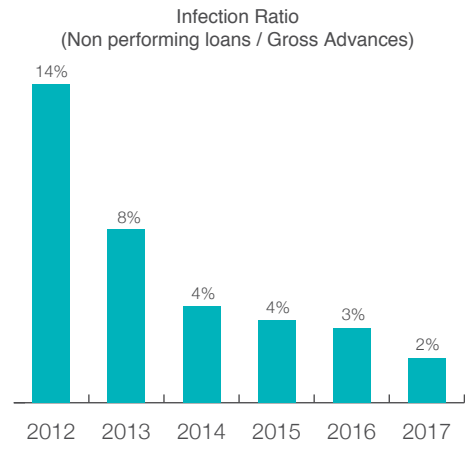
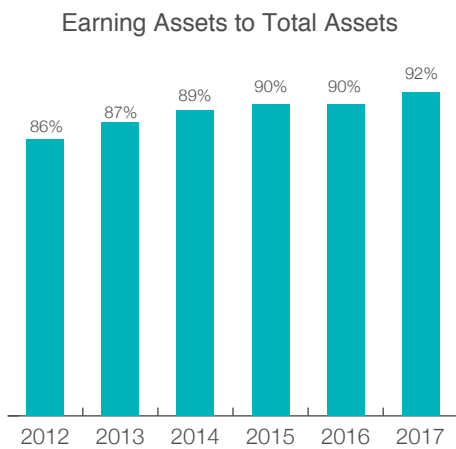
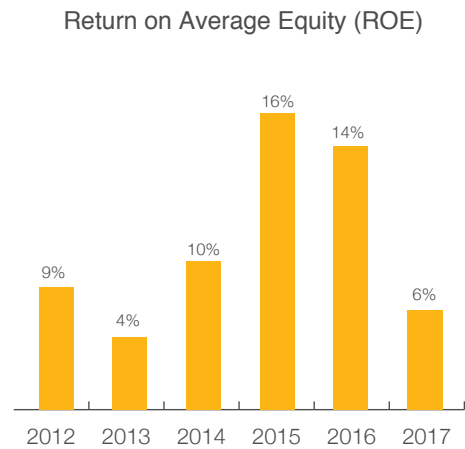
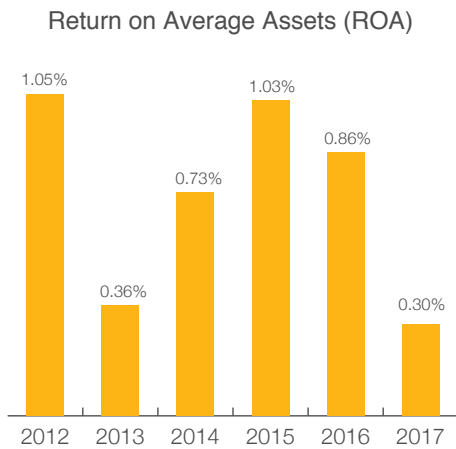
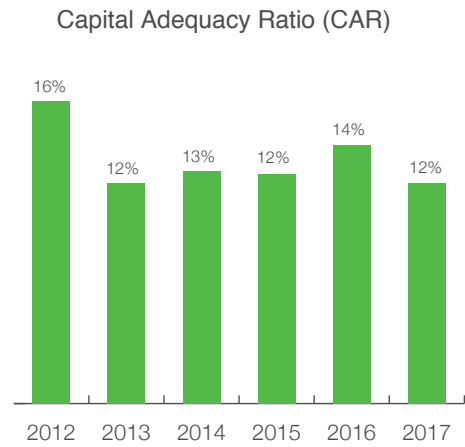
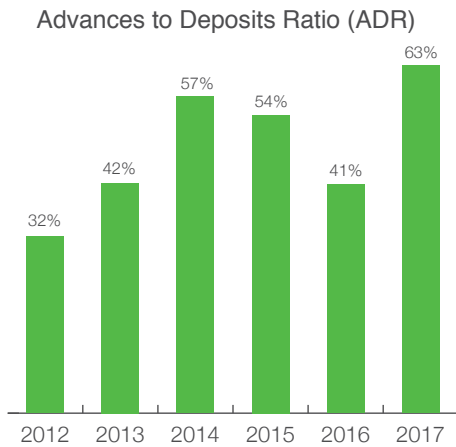


Basic Earnings Per Share (EPS) Rupees



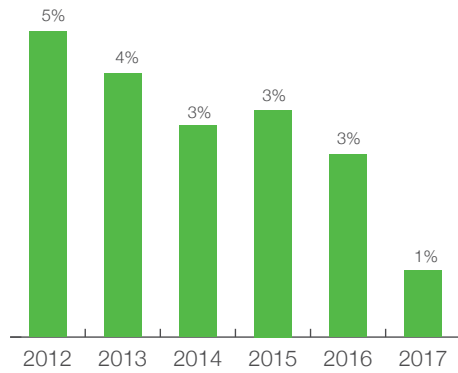
Financial Information

Ratios Analysis

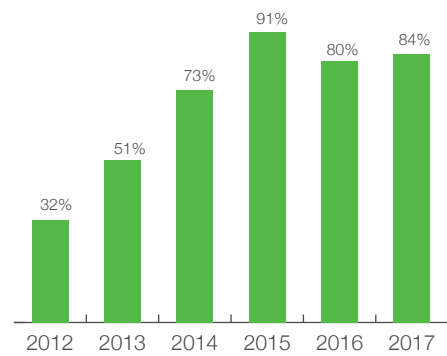


Ratios Analysis

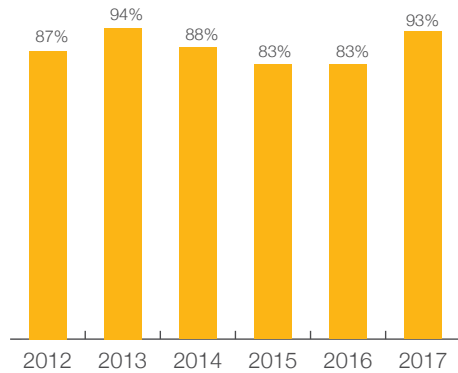
Provisions / Gross Advances



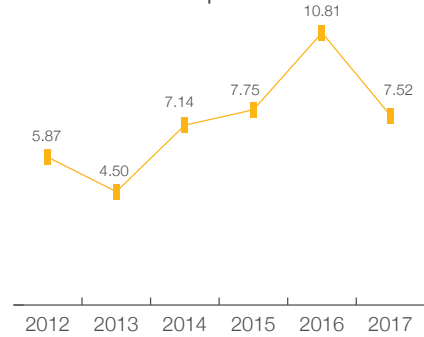
Non Performing Loans Coverage Ratio



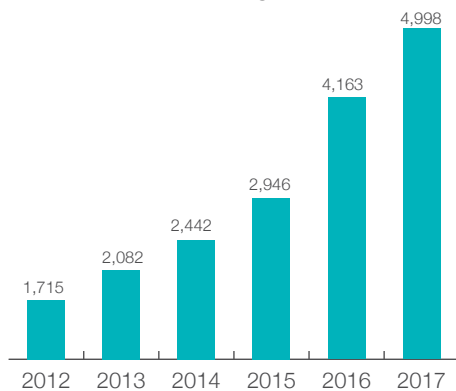
Cost / Income Ratio



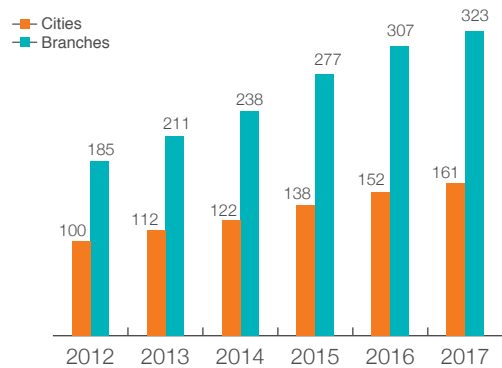
Market Value per share as of December 31, Rupees



Staff Strength



Branch Network



Directors' Report

We are pleased to present the twelfth Annual Report of JS Bank Limited ("JSBL") along with the audited accounts and auditors' report for the year ended December 31, 2017.

The Economy

The year 2017 saw a fairly consistent upward economic trajectory. According to a report by the State Bank of Pakistan (SBP), the economy is expected to achieve a growth target of 6% for FY 2017 - 18. This is indicative of future employment generation and a sign that the growth momentum should stay strong in the medium term. This was further complimented by a stable interest rate regime and inflation levels that averaged 4.09% over the year. Rising income levels of domestic consumers and a growing middle class fueled retail sales and commercial activities. On the fiscal front, revenue collection for the year improved by 18% in the first half of FY 2017-18 (1HFY18). Electricity generation and demand gap has narrowed

and is expected to progressively reduce as fast-track work on energy projects included in the China Pakistan Economic Corridor (CPEC) continues.

Signs of fragility are however present. Despite improvement, revenue collection has still fallen short of its target. With a recovery in global crude oil prices and increased machinery imports, the import bill has ballooned. Workers remittances have stagnated amidst deteriorating global fundamentals, especially in the Middle East and North Africa (MENA) region (remittances declined by 0.7% year-on-year (YoY) to USD 19.6 billion in the year 2017). This has resulted in an overall Balance of Payments (BoP) situation that remains precarious as foreign exchange reserves clocked in at USD 20.17 billion (as at December 31, 2017), reflecting a decline of 13% YoY from 2016. The PKR has succumbed to this pressure and depreciated from USD/PKR exchange rate parity of 1/105 to 1/111.

Deposits (Million) PKR

290,078

Profit Before Tax (Million) PKR

1,621

Earnings Per Share (PKR)

0.74

Banking Sector Review

SBP kept the 'Policy Rate' stable at 5.75% for 2017 while banking spreads during 2017 dropped further, averaging 4.94% over the year, a 17 basis points (bps) YoY decline. Banking sector deposits for the year touched PKR 12,362 billion, registering a growth of 10% YoY. Advances depicted a 17% YoY growth, clocking in at PKR 6,530 billion, taking the Advances-to-Deposit Ratio (ADR) for the industry up to 53%. Private sector credit growth clocked in at 18% YoY as of November 2017, fueled by growth in food, textile and consumer segments lending. Moreover, where Non-Performing Loans (NPLs) for the industry increased from the level of PKR 605 billion as of December 2016 to PKR 631 billion as of September 2017, infection ratio for the industry decreased from 10.9% to 10% due to a rapid increase in total advances. Investments increased by 18% YoY reaching PKR 8,542 billion, as

a result the Investment-to-Deposit Ratio (IDR) inched up to 69%. The Government's domestic debt profile tilted towards short-term paper with the rollover risk relatively increased, as a heavy borrowing shift was observed in Market Treasury Bills (MTBs) from Pakistan Investment Bonds (PIBs) during the second half of FY2017 (2HFY17). This was due to the fact that market participants remained reluctant to participate heavily in the medium to long-term government securities at relatively lower yields, which were not compensating for any potential upward interest rate movement ahead.

Financial Performance

Despite an increase in the operating expenses incurred on launching new initiatives, the Bank posted satisfactory results for 2017 as summarized below:

| | 2017 | 2016 |
|------------------------------------|--------|--------|
| Profit Before Tax – PKR million | 1,621 | 3,390 |
| Profit After Tax – PKR million | 973 | 2,077 |
| Earnings Per Share (Basic) – PKR | 0.74 | 1.77 |
| Earnings Per Share (Diluted) – PKR | 0.74 | 1.60 |
| Return on Avg. Assets (ROAA) | 0.30% | 0.86% |
| Return on Avg. Equity (ROAE) | 6.16% | 14.33% |
| Capital Adequacy Ratio (CAR) | 11.95% | 14.05% |
| Advances to Deposits Ratio (ADR) | 63.48% | 41.48% |

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

| | PKR 'Million' | | | | | |
|----------------------|---------------|---------|---------|---------|---------|--------|
| Particulars | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
| Deposits | 290,078 | 226,099 | 141,840 | 108,740 | 80,916 | 62,544 |
| Equity | 16,179 | 15,427 | 13,567 | 11,704 | 9,139 | 8,786 |
| Total Assets | 388,309 | 264,700 | 218,476 | 176,717 | 112,770 | 81,570 |
| Investments-Net | 169,612 | 133,727 | 116,030 | 84,258 | 42,679 | 46,259 |
| Advances- Net | 184,140 | 93,794 | 76,666 | 62,433 | 33,762 | 20,055 |
| Gross Mark-up Income | 20,381 | 15,081 | 15,328 | 11,113 | 6,850 | 6,023 |
| Net Mark-up Income | 6,242 | 5,728 | 5,590 | 3,854 | 2,325 | 2,265 |
| Non-Mark-up Income | 4,051 | 4,861 | 3,290 | 2,590 | 1,678 | 1,806 |
| Profit Before Tax | 1,621 | 3,390 | 3,174 | 1,608 | 501 | 980 |
| Profit After Tax | 973 | 2,077 | 2,026 | 1,060 | 351 | 709 |
| Branches | 323 | 307 | 277 | 238 | 211 | 185 |
| Employees | 4,998 | 4,163 | 2,946 | 2,442 | 2,082 | 1,715 |

Earnings per Share (EPS)

The EPS for the year ended December 31, 2017 is PKR 0.74 per share as compared to EPS of PKR 1.77 per share in 2016.

Capital Adequacy

As at December 31, 2017, JS Bank's Capital Adequacy Ratio (CAR) stood at 11.95% as compared to 14.05% in 2016. Minimum required CAR (including Capital Conservation Buffer) as prescribed by SBP is 11.28%.

Business Overview

JS Bank continued with its exceptional balance sheet growth trajectory, achieving 46.7% growth YoY, backed by prudent expansion in advances, aggressive deposit mobilization and diversified fee business. The Bank's strategy is based on identifying and fulfilling customer needs through product innovation, alliances and automation of service delivery. Customer accessibility was strengthened through expansion in branch network, digital channels and branchless banking agents to provide customers an efficient and satisfying banking experience. JS Bank operates 323 branches and 294 ATMs across 161 cities including one overseas wholesale banking branch in Manama, Bahrain.

Deposits

JS Bank remained focused on core deposit mobilization, particularly targeting growth in low cost deposit (Current and Savings Accounts – CASA). Despite challenging economic conditions, the Bank was able to close 2017 with deposits of PKR 290 billion, a growth of 28.3% over 2016. Significant growth in the CASA deposit base has been augmented by growth in the Term Deposit portfolio, providing greater stability and strength to the Bank.

The Bank has embarked on several initiatives to strengthen its product line including variants of value-added current accounts to expand its deposit relationships in several segments including business accounts, employee banking, cash management relationships, corporate deposits and technology-based solutions.

Advances

On the assets side, there was increased focus on prudent expansion in advances with a holistic product range designed around customer needs. Overall net advances grew by 96.3% to PKR 184.1 billion, with diversified growth in public sector lending (GoP backed), corporate, commercial, Small and Medium Enterprises (SME) and consumer banking.

In addition to traditional lending segments, the Bank enhanced its focus on the SME landscape through a relationship lending model, operating through

several SME hub branches. Furthermore, the secured consumer lending volumes picked up substantially through 2017. The leasing business has also developed a healthy portfolio catering to all industrial sectors of the economy.

The Bank grew its Prime Minister's Youth Business Loans (PMYBL) portfolio by forming multiple alliances with Pakistan's leading businesses in order to promote self-employment within their value chains. JS Bank exceeded its SBP-assigned Agriculture Credit targets with a clean portfolio, paving the way for sustainable expansion in the coming years. The Bank continued to develop its gold finance portfolio and extended the proposition to its agri-based customers.

Fee Business

The Bank is making concerted efforts to optimize the revenue mix between interest and fee-based income. In addition to growing traditional fee income streams, the Bank has increased focus on cross selling various fee-based products to existing and new customers.

Trade business has remained a key growth area for the Bank where teams were focused on maximizing trade business reciprocity vis-a-vis advances. Resultantly, JS Bank grew its trade volume by PKR 75 billion, an increase of 33.6% and expanded its correspondent banks network to 90 countries.

Investment banking closed a total of eight capital market transactions and a host of advisory and syndicated arrangements in various sectors. JS Bank's market share for new issuance in debt capital markets reached an all-time high of over 75%. Additionally, the Bank is focused on growing partnerships with global DFIs to meet the financial needs of emerging businesses.

The Bank strengthened its payments business by introducing cash management solutions for its medium and large customers, offering a complete range of payments and collections backed by a state-of-the-art online Cash Management Portal. Alongside, digital banking solutions are being introduced to keep pace with the rapid innovation in payments and the broader transformation in systems enabled by digital technologies.

The Bank enhanced its wealth management cross-sell business including mutual funds and bancassurance, with significant expansion in product range and fee income.

Another area of significant growth was the home remittances business, where the Bank grew transactions by 23%, with an expanded global partner network.

Sustainability

JS Bank is at the forefront of introducing environmentally and socially responsible banking solutions in Pakistan.

The Institute of Bankers Pakistan (IBP) awarded JS Bank the first ever “Best Environmental, Social and Governance Bank” award in 2017, backed by initiatives undertaken in collaboration with Mahvash & Jahangir Siddiqui Foundation (MJSF) at the second Pakistan Banking Awards 2017.

JS Bank also became the first bank to receive the Green Office certification in Pakistan, awarded by WWF Pakistan.

Service Management and Fair Treatment of Customers

JS Bank is committed to providing its customers with the highest level of service quality and satisfaction. The Bank established an independent service management function that oversees service quality, phone banking, problem resolution and the fair treatment of customers.

The Bank’s Complaint Handling Policy and Grievance Redressal Mechanism ensure that complaints are resolved in a timely manner and recurrence of complaints is prevented where possible. Customers have the option of registering their complaints at the Bank’s branches, phone banking center, JS Bank’s website or via email. The process includes registration, acknowledgement, interim response where applicable, resolution and root cause analysis of recurring complaints. The Bank has a Service Quality Council (SQC) that functions as a standing committee on customer service. The SQC is chaired by the President & CEO of the Bank and it includes senior management committee members. The SQC reviews all service level and complaint reports and initiatives and focuses on simplifying processes for improvements in service levels and overall customer satisfaction. Customers are also given the option of contacting the Banking Mohtasib office in case they are dissatisfied with the response received from the Bank.

To create enhanced visibility of the recourse mechanism available to its customers, JS Bank has incorporated awareness messages of its complaint handling function in several customer communications such as account statements, ATM screens, letters and SMS messages. A complete Grievance Redressal Mechanism, contact channels and online feedback forms have been made available through the JS Bank website, and email broadcasts have been sent to the customers for customer education and awareness. ‘Fair Treatment of Customers’ is an integral part of our corporate culture. The Bank has institutionalized a ‘Consumer Protection Framework’. Our priority is to keep customer benefits in mind while designing, selling and managing products and services, without any discrimination. We also focus on financial literacy

of our customers, for promoting responsible conduct and informed financial decisions by consumers, through our ‘Consumer Education and Financial Literacy Program’.

Risk Management

The Board is committed to adopting the best risk management practices in letter and spirit. To maintain effective risk management practices, the Bank follows an appropriate risk management framework according to the regulatory directives issued by SBP and other related guidelines under the Basel II / III framework. In this regard, the Bank has a comprehensive set of risk management policies, practices and procedures which enable the Bank to take into consideration, in an appropriate manner, all major kinds of risks including credit, market, liquidity, operational and IT security.

The overall risk management framework of the Bank is under the supervision of the Board of Directors (BoD)/ Board Risk Management Committee (BRMC) while the operational level day-to-day functioning is carried out by the senior management of the Bank. In order to develop a holistic integrated risk management approach, a dedicated and independent Credit & Risk Management Group, is in place to manage various aspects of risk management in the Bank. To formalize and strengthen the risk management approach within the Bank, the following significant policies were developed / reviewed and approved by the Board:

- Credit Policy
- Collateral Management Policy
- Market Risk Management Policy
- Operational Risk Management Framework
- Liquidity Risk Management Policy
- Business Continuity Policy

BRMC keeps an eye on the overall risk profile of the Bank. The Integrated Risk Management Committee (IRMC) and Assets & Liabilities Committee (ALCO) of the management operate within an established framework in order to monitor the Bank’s activities and maintain the risk level within predefined limits, meeting on a regular basis to review market developments and the level of financial risk exposure of the Bank.

Market risk measurement, monitoring and management reporting is done on a regular basis. The Market Risk Unit supported by the Treasury Middle Office is involved in daily monitoring of all related financial risk exposures in the form of interest rate risk, equity exposure risk, currency or foreign exchange risk, cross border or country risk, financial institutions (FI) exposure risks and liquidity risk. The Bank is in the process of upgrading its system capabilities and plans to implement Temenos Insight Risk Intelligence Solutions providing analytical capabilities for regulatory capital, market analytics and asset & liability management in the coming years.

Operational risk management function also maintains the business continuity policy and facilitates the annual testing of mission-critical systems and services that may be disrupted due to any eventuality or disaster. The Bank has also developed a new Disaster Recovery (DR) site to ensure maximum availability of system and services to customers and partners for critical (time sensitive) and support functions.

In terms of information security, the Information Security and IT Risk Management Unit facilitates risk identification, assessment and monitoring of IT and information security-specific risks across the bank. To further improve the information security footprint, database encryption, Advance Threat Protection and Privileged Access Management systems are under implementation. Credit risk management is an ongoing process. The overall credit policy and the credit risk management guidelines are issued by the Board of Directors. In this regard, a Central Credit Committee (CCC) is entrusted with the responsibility of monitoring credit risk in the Bank. CCC meets regularly to actively supervise credit risk across the lending portfolio. In order to maintain a healthy growth of the credit portfolio, the Bank's Credit Risk Management processes are consistently upgraded and improved to meet future challenges. Further, in order to bolster credit risk management monitoring activities, a Credit Risk Monitoring Unit is in place for regular portfolio monitoring, formulating and implementing credit risk management tools including setting up of industry, geographic and sectorial limits, and devising credit risk quantification / statistical techniques to meet SBP and Basel II/III requirements.

The management of risks and uncertainties associated with problem credits requires a different and more intense approach than normal management. In this regard, a Special Asset Management Unit is in place following SBP's regulatory guidelines to focus on remedial management issues, take ownership of classified portfolio for effective management and to determine the work-out modes for settlements, as stipulated in the Remedial Management Policy of the Bank.

On capital management side, the Bank's practices ensure that it has sufficient capital to cover the risks associated with its activities. It is the prime objective of the Bank's capital management to ensure that the Bank complies with all regulatory capital requirements and at the same time maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

Learning and Organizational Development

The Bank is committed to ensuring that the Bank attracts, recruits, develops, and retains a high

performing and diverse work force. In 2017 the Bank implemented its first Management Trainee program to develop the Bank's future leadership. The Bank also established its Learning Academy to centralize and formalize training needs for the organization.

Statement on Internal Controls

JS Bank has placed the utmost emphasis on establishing stringent controls in all its operations. It is the cornerstone of the Bank's policies to adhere to the best industry practices, ethical standards and regulatory requirements. In this context, the Board of Directors has promulgated policies that provide for taking risk of an acceptable level in various areas. The senior management accordingly able to identify risks at appropriate stages and put in place necessary procedures to monitor and control the risks. This necessarily entails a periodical review of policies, systems and procedures to cope with a dynamic banking environment.

It is the continuing responsibility of the senior management to evolve systems and procedures that ensure overall comprehensive controls in the light of the Board of Directors guidelines. The success of such procedures is ensured by disseminating the requirements of various processes to the grass roots level. Another component of controls that is strictly adhered to is the effective delegation and segregation of duties with checks and balances properly in place. All staff is encouraged to participate and come up with ideas for developing better procedures. The continuing review of systems and procedures enables improvements that rectify possible control lapses. The Bank's initiative to establish a learning academy will go a long way in improving compliance with systems.

Internal controls are intended to provide a reasonable measure of assurance regarding the effectiveness and efficiency of the Bank's operations, reliability of financial information and compliance with applicable laws and regulations. However, it is acknowledged that the systems put in place can only provide reasonable but not absolute assurances against material misstatement or loss since they are designed to manage, rather than eliminate, the risk of unforeseen loss in seeking to achieve the business objectives.

An independent and effective internal audit function reviews the effectiveness and adequacy of internal controls and continues to monitor compliance with policies and procedures. The Board of Directors is regularly kept up to date about the state of compliance through the Board Audit Committee. As a priority, all significant and material findings of the internal and external auditors and regulators are addressed by the management ensuring that appropriate corrective actions have been implemented. Adequate systems are put in place to minimize repetition and strengthen

the control environment. In addition, the Compliance Department is performing its due role to ensure regulatory compliance across the Bank.

The Bank diligently followed SBP's Guidelines on Internal Controls to evaluate the effectiveness of the overall set of internal controls including financial reporting controls. A detailed documentation of bank-wide processes and controls has been completed. Furthermore, the Bank has developed a comprehensive management testing and reporting framework for ensuring operating effectiveness of key controls and has significantly addressed the identified design improvement opportunities.

Upon satisfactory completion of the Internal Controls over Financial Reporting (ICFR) Roadmap, SBP granted exemption to the Bank in August 2016 from the submission of Long Form Report (LFR) by external auditors. Annual assessment report for December 31, 2017 on efficacy of ICFR shall henceforth be submitted to SBP duly approved by the Board Audit Committee.

The management considers that the internal control system presently existing is adequate, implemented effectively and continuously monitored. This statement is also hereby endorsed by the Board of Directors. The management will endeavor to continue enhancing its coverage and compliance with the SBP guidelines on Internal Controls and thereby strengthening its control environment on an ongoing basis.

Corporate and Financial Reporting Framework

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

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

- 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.
- Outstanding statutory payments on account of taxes, duties, levies and charges have been fully disclosed in the Financial Statements.

Holding Company

Jahangir Siddiqui & Co. Limited, listed on the Pakistan Stock Exchange Limited, is the holding company of JS Bank Limited, owning 70.4% of the ordinary shares and 96.9% un-listed, convertible, irredeemable, perpetual, non-cumulative preference shares.

Subsidiary Companies

JS Global Capital Limited and JS Investments Limited are subsidiaries of JS Bank with shareholdings of 67.16% and 65.16% respectively. Performance of these companies has been reviewed under the consolidated Directors' Report.

Attendance of Directors in the Board meetings

Six meetings of the Board of Directors were held during the year 2017. The attendance of directors at Board Meetings was as follows:

| Name of Director | Eligible to attend | Meetings attended |
|-----------------------------------|--------------------|-------------------|
| Mr. Ali Jehangir Siddiqui | 6 | 6 |
| Mr. Adil Matcheswala | 6 | 6 |
| Mr. Ashraf Nawabi | 6 | 6 |
| Mr. G.M. Sikandar | 6 | 6 |
| Mr. Kalim-ur-Rahman | 6 | 6 |
| Mr. Munawar Alam Siddiqui | 6 | 6 |
| Ms. Nargis Ghaloo | 6 | 6 |
| Mr. Shahab A. Khawaja | 6 | 6 |
| Mr. Khalid Imran, President & CEO | 6 | 6 |

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

| Name of Director | Audit Committee | | Risk Committee | | HR Committee | |
|-----------------------------------|--------------------|-------------------|--------------------|-------------------|--------------------|-------------------|
| | Eligible to attend | Meetings attended | Eligible to attend | Meetings attended | Eligible to attend | Meetings attended |
| Mr. Ali Jehangir Siddiqui | - | - | - | - | 2 | 2 |
| Mr. Adil Matcheswala | 4 | 4 | - | - | - | - |
| Mr. Ashraf Nawabi | - | - | 4 | 4 | - | - |
| Mr. G.M. Sikandar | 4 | 4 | - | - | 2 | 2 |
| Mr. Kalim-ur-Rahman | - | - | 4 | 4 | - | - |
| Mr. Munawar Alam Siddiqui | - | - | 4 | 4 | - | - |
| Ms. Nargis Ghaloo | - | - | - | - | 2 | 2 |
| Mr. Shahab A. Khawaja | 4 | 4 | - | - | - | - |
| Mr. Khalid Imran, President & CEO | - | - | 4 | 4 | - | - |

Pattern of Shareholding

The pattern of shareholding at the close of December 31, 2017 as required u/s 227 (f) of the Companies Act, 2017 is given on page number 279.

Corporate & Social Responsibility

Statement of Corporate & Social Responsibility is disclosed in Annual Report.

Credit Ratings

The Pakistan Credit Rating Agency Limited (PACRA) has maintained the long term rating of the Bank at 'AA-' (Double A Minus) and the short-term rating of "A1+" (A One Plus) which is the highest possible short-term rating.

Dividend to Preference Shareholders

The Bank on February 19, 2014 issued 150 million un-listed, convertible, irredeemable, perpetual, non-cumulative preference shares at a par value of PKR 10 each with a fixed return of 12% per annum for a period of four years. The preference shares after four years will be converted into ordinary shares of the Bank at a price

of PKR 6.67 per share (a discount to face value of PKR 3.33 per share). The distribution of dividend to preference shareholders is non-obligatory and non-cumulative and will be allowed only if the Bank has earned sufficient profit in the current year to pay dividend and is in compliance with all the regulatory capital and provisioning requirements.

Since all the conditions for payment of dividend are complied with, therefore the Board of Directors has recommended for the shareholders' approval at 12th Annual General Meeting payment of dividend of 12% to the preference shareholders. No dividend is paid on ordinary shares.

Employee Benefits Schemes

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

The contribution made toward the Fund during the year 2017 is PKR 137 million (2016 PKR 101.4 million). The un-audited balance as at December 31, 2017 of the Fund was PKR 1,042 million (2016: PKR 778.3 million).

The contribution to be made to the Scheme is PKR 175 million for 2017 (2016: PKR 118.3 million). The un-audited balance of the plan assets of the Scheme as at December 31, 2017 was PKR 377 million (2016: PKR 236.4 million).

Auditors

The present auditors of JS Bank are EY Ford Rhodes, Chartered Accountants (a Member of Ernst & Young Global Limited).

Compliance with Code of Corporate Governance

The requirements of the Code of Corporate Governance set out by the PSX in its listing regulations relevant for the year ended December 31, 2017 have been adopted by the Bank and have been duly complied with. A statement in this effect is annexed with the report.

Events after the Date of Statement of Financial Position

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

Acknowledgements

On behalf of JS Bank, I would like to extend our gratitude to our customers and stakeholders for their patronage. I would also like to thank the Ministry of Finance, the State Bank of Pakistan (SBP), the Securities & Exchange Commission of Pakistan (SECP) and other regulatory authorities for their support to our Bank. Finally, I extend our appreciation to the management team and staff for their persistent commitment to working together as a winning team.

For and on behalf of the Board,

Khalid Imran
President & CEO

March 3, 2018

ترجمی شیئر ہولڈرز میں ڈیویڈنڈ کی تقسیم

بینک نے 19 فروری، 2014 کو چار سال کی مدت کیلئے 12% فکسڈ ریٹرن کے ساتھ 10 روپے مالیت کے 150 ملین ان لسٹڈ، قابل تبدیل، ناقابل وصول، دائمی، غیر مجموعی ترجمی شیئرز کا اجراء کیا۔ چار سال کے بعد یہ ترجمی شیئرز بینک کے عام شیئرز میں تبدیل ہو جائیں گے، جس کی قیمت فی شیئر 6.67 پاکستانی روپے ہوگی (فی شیئر 3.33 پاکستانی روپے کی رعایت کے ساتھ)۔ ترجمی شیئر ہولڈرز میں ڈیویڈنڈ کی تقسیم غیر واجب اور غیر مجموعی ہے اور یہ صرف اس صورت میں دیئے جائیں گے اگر بینک نے ڈیویڈنڈ کے ادائیگی کی مدت میں اس سال کافی منافع کمایا ہو اور تمام تر ریگولیٹری کیپٹل اور ضروریات کی فراہمی سے مطابقت رکھتا ہو۔

چونکہ ڈیویڈنڈ کی ادائیگی کیلئے تمام شرائط کی تعمیل کی گئی ہے لہذا ترجمی شیئر ہولڈرز میں 12% کے ڈیویڈنڈ کی ادائیگی کو بورڈ آف ڈائریکٹرز نے 12 ویں سالانہ اجلاس عام میں شیئر ہولڈرز کی منظوری کی تجویز دی ہے۔

ایپیلانی پیٹنٹس اسکیم

جے ایس بینک اپنے تمام مستقل ملازمین کو اسٹاف پروویڈنڈ فنڈ (فنڈ) اور فنڈ زگر بچو پی ای اسکیم (اسکیم) فراہم کرتا ہے۔

سال 2017 میں فنڈ کیلئے 137 ملین روپے کی رقم جاری کی گئی (2016 میں یہ رقم 101.4 ملین روپے تھی)۔ 31 دسمبر 2017 تک فنڈ کا غیر آڈٹ شدہ بیلنس 1,042 ملین روپے تھا (سال 2016 میں 778.3 ملین روپے)

سال 2017 میں اسکیم کیلئے 175 ملین روپے کی رقم جاری کی گئی (2016 میں 118.3 ملین روپے)۔ 31 دسمبر 2017 تک اسکیم کے منصوبوں کے اثاثوں کا غیر آڈٹ شدہ بیلنس 377 ملین روپے تھا (2016 میں 236.4 ملین روپے)۔

آڈیٹرز

جے ایس بینک کے موجودہ آڈیٹرز Ernst & Young Global Limited (Ernst & Young) کے ممبر ہیں۔

کارپوریٹ گورننس کے قوانین سے ہم آہنگی

31 دسمبر 2017 کو ختم ہونے والے سال کیلئے PSX کی جانب سے قواعد و ضوابط کی متعلقہ فہرست میں مقرر کئے گئے کوڈ آف کارپوریٹ گورننس کی ضروریات کو بینک نے اپنایا اور اس کے مطابق عمل کیا۔ اس سلسلے میں ایک اسٹیٹمنٹ، رپورٹ کے ساتھ منسلک ہے۔

فنانشل پوزیشن کی اسٹیٹمنٹ کی تاریخ کے بعد کے ایپٹس

فنانشل پوزیشن کی اسٹیٹمنٹ کی تاریخ کے بعد کوئی اہم ایپٹس نہیں ہوئے کہ جس کے تحت منسلک فنانشل اسٹیٹمنٹس میں کسی درستگی کی ضرورت ہوتی۔

اظہار تشکر

جے ایس بینک کی جانب سے میں اپنے صارفین اور اسٹیک ہولڈرز کا ان کے تعاون پر دل سے شکر گزار ہوں۔ میں منسٹری آف فنانس، اسٹیٹ بینک آف پاکستان، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور دیگر ریگولیٹری اداروں کا بینک کو تعاون فراہم کرنے کیلئے بھی ممنون ہوں۔ میں یہاں منجمنٹ اور جانفشانی کے ساتھ ایک ٹیم کے طور پر کام کرنے والے ملازمین کا ان کی انتھک محنت پر بھی شکر یہ ادا کرنا چاہوں گا۔

منجانب بورڈ

خالد عمران

پریذیڈنٹ اور سی ای او

3 مارچ، 2018

بورڈ مینٹنگز میں ڈائریکٹرز کی حاضری

سال 2017 کے دوران بورڈ آف ڈائریکٹرز کے چھ اجلاس منعقد ہوئے۔ ان اجلاسوں میں ڈائریکٹرز کی حاضری کچھ یوں رہی:

| ڈائریکٹر کا نام | شرکت کی اہلیت | اجلاس میں شرکت |
|--|---------------|----------------|
| جناب علی جہانگیر صدیقی | 6 | 6 |
| جناب عادل ماچس والا | 6 | 6 |
| جناب اشرف نوابی | 6 | 6 |
| جناب جی۔ ایم سکندر | 6 | 6 |
| جناب کلیم الرحمن | 6 | 6 |
| جناب منور عالم صدیقی | 6 | 6 |
| محترمہ زگس گھلو | 6 | 6 |
| جناب شہاب اے خواجہ | 6 | 6 |
| جناب خالد عمران، پریزیڈنٹ اور سی ای او | 6 | 6 |

بورڈ کی ذیلی کمیٹی کے اجلاس میں ڈائریکٹرز کی حاضری کچھ یوں رہی:

| ڈائریکٹر کا نام | آڈٹ کمیٹی | | رسک کمیٹی | | ایچ آر کمیٹی | |
|--|---------------|----------------|---------------|----------------|---------------|----------------|
| | شرکت کی اہلیت | اجلاس میں شرکت | شرکت کی اہلیت | اجلاس میں شرکت | شرکت کی اہلیت | اجلاس میں شرکت |
| جناب علی جہانگیر صدیقی | - | - | - | - | 2 | 2 |
| جناب عادل ماچس والا | 4 | 4 | - | - | - | - |
| جناب اشرف نوابی | - | - | 4 | 4 | - | - |
| جناب جی۔ ایم سکندر | 4 | 4 | - | - | 2 | 2 |
| جناب کلیم الرحمن | - | - | 4 | 4 | - | - |
| جناب منور عالم صدیقی | - | - | 4 | 4 | - | - |
| محترمہ زگس گھلو | - | - | - | - | 2 | 2 |
| جناب شہاب اے خواجہ | 4 | 4 | - | - | - | - |
| جناب خالد عمران، پریزیڈنٹ اور سی ای او | - | - | 4 | 4 | - | - |

شیئر ہولڈنگ کا پینل

31 دسمبر 2017 کے اختتام پر کمپنی ایکٹ 2017 کے u/s 227(f) کے تحت درکار شیئر ہولڈنگ کا پینل صفحہ نمبر 279 پر دیا گیا ہے۔

کارپوریٹ اینڈ سوشل ریسپانسیبٹی

کارپوریٹ اینڈ سوشل ریسپانسیبٹی اسٹیٹمنٹ سالانہ رپورٹ میں شامل ہے۔

گریڈ ریٹنگ

پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے پیک کو "AA-" (ڈبل اے مائنس) کی طویل المدتی ریٹنگ اور سب سے بہتر ممکنہ قلیل المدتی ریٹنگ "A1+" (اے ون پلس) تفویض کی ہے۔

انٹرنل کنٹرولز کا مقصد بینک کے آپریشنز، مالی معلومات کا اعتبار ہونا اور قابل اطلاق قوانین اور قواعد و ضوابط کی تعمیل کے موثر اور کارگر ہونے کو یقینی بنانے کیلئے مناسب اقدامات کرتا ہے۔ تاہم اس بات کو تسلیم کیا جاتا ہے کہ فائدہ کیا گیا نظام نقصان یا مواد کی غلط بیانی کے سلسلے میں حتیٰ کے بجائے مناسب یقین دہانی فراہم کر سکتا ہے بلکہ یہ (نظام) کاروباری مقاصد کے حصول میں غیر متوقع نقصان کے خطرات کو ختم کرنے کے بجائے اس سے نمٹنے کیلئے بنائے گئے ہیں۔

ایک موثر اور آزادانہ انٹرنل آڈٹ فنکشن انٹرنل کنٹرولز کے موثر ہونے اور موثریت کا جائزہ لیتا ہے اور پالیسیوں اور طریقہ کار کے مطابق تعمیل کی نگرانی کرتا ہے۔ بورڈ آڈٹ کمیٹی کے ذریعے بورڈ آف ڈائریکٹرز کو باقاعدگی سے تعمیل کے حالات سے باخبر رکھا جاتا ہے۔ ترجیحی طور پر اندرونی اور بیرونی آڈیٹرز اور ریگولیٹرز کے تمام اہم اور مادی نتائج مینجمنٹ کی جانب سے بیان کی جاتی ہیں جو کہ اس بات کو یقینی بناتی ہے کہ تمام مناسب اصلاحاتی اقدامات لاگو کئے گئے ہیں۔ تکرار کو کم سے کم کرنے اور انتظامی فضاء کو مضبوط بنانے کیلئے مناسب نظام فائدہ کئے جاتے ہیں۔ مزید یہ کہ کمپلائنس ڈیپارٹمنٹ بینک میں ریگولیٹری کی تعمیل کو یقینی بنانے کیلئے اپنا کردار ادا کر رہا ہے۔

فنانشل رپورٹنگ کنٹرولز سمیت انٹرنل کنٹرولز کے مجموعی سیٹ کی موثریت کا اندازہ لگانے کیلئے بینک نے اسٹیٹ بینک آف پاکستان کے انٹرنل کنٹرول سے متعلق رہنما اصولوں پر سختی سے عمل کیا۔ کنٹرول ڈیزائن کے خامیوں کا مجموعی تجزیہ اور نشاندہی کئے گئے خامیوں کیلئے بحالی منصوبے کے تحت ڈیولپمنٹ سمیت بینک کے وسیع تر عمل اور نظام سے متعلق ایک تفصیلی دستاویز بھی مکمل کی گئی تھی۔ اس کے علاوہ، بینک نے اہم کنٹرولز کی موثر آپریشن کو یقینی بنانے کیلئے ایک جامع مینجمنٹ ٹیسٹنگ اور رپورٹنگ فریم ورک بنایا ہے اور ڈیزائن میں نشاندہی کئے گئے بہتری کے مواقعوں کیلئے پھر پورا اقدامات کئے ہیں۔

انٹرنل کنٹرولز اور فنانشل رپورٹنگ (ICFR) روڈ میپ کے اطمینان بخش تکمیل پر، ایس بی پی نے اگست 2016 میں بینک کو بیرونی آڈیٹرز کی جانب سے لاگ فارم رپورٹ (LFR) جمع کرانے میں چھوٹ دی تھی۔ ICFR کے کارگر ہونے سے متعلق 31 دسمبر 2017 کی سالانہ تشخیصی رپورٹ اب بورڈ آڈٹ کمیٹی میں جمع کرادی جائے گی۔

انتظامیہ کا خیال ہے کہ موجودہ انٹرنل کنٹرول موزوں ہے، موثر طریقے سے لاگو ہوتا ہے اور مسلسل نگرانی کرتا ہے۔ اس بیان کو یہاں پر بورڈ آف ڈائریکٹرز کی جانب سے بھی منظور کیا جاتا ہے۔ مینجمنٹ، انٹرنل کنٹرولز سے متعلق ایس بی پی کی گائیڈ لائنز کے مطابق اپنی کوریج اور کمپلائنس میں بہتری کیلئے کوششیں کرتی رہے گی اور اس طرح اس کا انتظامی ماحول مسلسل بنیادوں پر مضبوط ہوگا۔

کارپوریٹ اور فنانشل رپورٹنگ فریم ورک

کارپوریٹ اور فنانشل رپورٹنگ فریم ورک برائے سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کو ڈی آف کارپوریٹ گورننس کی تعمیل کیلئے ڈائریکٹرز مندرجہ ذیل کی منظوری دیتے ہیں:

- انتظامیہ کی جانب سے تیار شدہ فنانشل اسٹیٹمنٹ، بینک کے معاملات، اس کے آپریشنز کے نتائج، کیش فلو اسٹیٹمنٹ اور ایکویٹی میں تبدیلی کا بیان واضح طور پر پیش کرتا ہے۔
- بینک کے اکاؤنٹس کی کتابوں کو برقرار رکھا گیا ہے۔
- اکاؤنٹس کے نوٹ میں بیان کردہ اکاؤنٹنگ پالیسیز، فنانشل اسٹیٹمنٹ کی تیاری میں باقاعدگی سے لاگو کئے گئے ہیں اور اکاؤنٹنگ کا تخمینہ معقول اور قابل اعتماد فیصلے پر مبنی ہے۔
- فنانشل اسٹیٹمنٹ کی تیاری میں پاکستان میں قابل اطلاق اکاؤنٹنگ کے بین الاقوامی معیارات کی پیروی کی گئی ہے۔
- انٹرنل کنٹرولز کا نظام اچھی طرح ڈیزائن کیا گیا ہے اور اسے موثر طریقے سے لاگو کیا گیا ہے اور موثر طریقے سے ہی اس کی نگرانی کی جارہی ہے۔
- موجودہ مسائل سے نمٹنے کیلئے بینک کی صلاحیت پر کوئی شک نہیں ہے۔
- موجودہ قواعد و ضوابط کی تفصیلات کے تحت کارپوریٹ گورننس کے بہترین طریقوں میں کوئی مادی اختلاف نہیں ہے۔
- فنانشل اسٹیٹمنٹ میں واجب الادا قانونی ادائیگیوں کی تفصیلات، اگر کوئی ہے تو اسے مناسب طور پر افشاء کیا گیا ہے۔
- ٹیکس، ڈیویڈنڈ، واجبات اور تہذیبوں کی مد میں بقایا واجب الادا قانونی ادائیگیوں کو فنانشل اسٹیٹمنٹ میں مکمل طور پر ظاہر کیا گیا ہے۔

ہولڈنگ کمپنی:

پاکستان اسٹاک ایکسچینج میں درج جہاگیر صدیقی اینڈ کولمبیئڈ، جے ایس بینک لمیٹڈ کی ہولڈنگ کمپنی ہے جو 70.4% عام شیئرز اور 96.9% ان لسٹڈ، قابل تبدیل، ناقابل وصول، دائمی، غیر مجموعی ترجیحی شیئرز کی مالک ہے۔

سبڈری کمپنیز:

جے ایس گلوبل کپٹل لمیٹڈ اور جے ایس انویسٹمنٹ لمیٹڈ، 65.16% اور 65.16% شیئرز بالترتیب کے ساتھ جے ایس بینک کی ذیلی کمپنیز ہیں۔ ان کمپنیوں کی کارکردگی کا جائزہ مشترکہ ڈائریکٹرز کی رپورٹ میں لیا گیا ہے۔

مارکیٹ رسک کا اندازہ، نگرانی اور انتظامی رپورٹنگ روزمرہ بنیاد پر کی جاتی ہے۔ مارکیٹ رسک یونٹ ریٹریبل ڈیل آفس کی معاونت سے انٹرسٹ ریٹ رسک، ایکویٹی ایکسپوزر رسک، کرنسی یا غیر ملکی مبادلہ کے خطرات، کراس بارڈر یا کٹری رسک، مالیاتی اداروں اور لکویڈیٹی رسک کی صورت میں تمام متعلقہ مالی خطرات کی روزمرہ نگرانی کرتا ہے۔ بینک اپنے سسٹم کو مزید بہتر اور مستحکم کر رہا ہے اور آنے والے سالوں میں ریگولیٹری کیپٹل، مارکیٹ تجزیات اور اثاثوں اور واجبات کے انتظام کے حوالے سے انتظام کی فراہمی اور ٹیموں انسائیٹ رسک مینیجمنٹ سلسلوں پر عمل درآمد کا منصوبہ بھی رکھتا ہے۔

آپریٹل رسک مینجمنٹ فنکشن برنس کے تسلسل کی پالیسی کو بھی برقرار رکھتا ہے اور مشن کریٹیکل سسٹم کی سالانہ جانچ اور سروسز کے کسی بھی حادثے کے باعث غیر فعال ہونے کی صورت میں اُن کی جانچ میں بھی معاونت فراہم کرتا ہے جو اتفاقی یا حادثاتی طور پر غیر فعال ہو سکتی ہیں۔ بینک نے اہم (غیر مؤثر اوقات) اور فنکشنز کی معاونت کیلئے اپنے کسٹمرز اور پائلٹرز کو سسٹم اور سروسز کی زیادہ سے زیادہ دستیابی کو یقینی بنانے کیلئے نیا ڈس آسنر ریکوری (DR) سائٹ تشکیل دیا ہے۔

انفارمیشن سیکورٹی کی مدد میں انفارمیشن سیکورٹی اور IT رسک مینجمنٹ یونٹ بینک میں خطرات کی نشاندہی، آئی ٹی کی جانچ اور نگرانی اور معلومات کے تحفظ سے متعلق مخصوص خطرات کی بھی نشاندہی کرتا ہے۔ معلومات کے تحفظ، ڈیٹا میں انکروپشن، قبل از وقت خطرے کی نشاندہی اور پریولنٹ ایکس مینجمنٹ سسٹم میں مزید بہتری لائی جا رہی ہے اس سلسلے میں اقدامات ابھی زیر عمل ہیں۔ کریڈٹ رسک مینجمنٹ ایک بدستور جاری رہنے والا پروسس ہے۔ مجموعی کریڈٹ پالیسی اور کریڈٹ رسک مینجمنٹ کی رہنما ہدایات بورڈ آف ڈائریکٹرز کی جانب سے جاری کی جاتی ہیں۔ اس سلسلے میں سینٹرل کریڈٹ کمیٹی (CCC) کو بینک میں کریڈٹ رسک کی نگرانی کی ذمہ داری سونپی گئی ہے۔ سینٹرل کریڈٹ کمیٹی قرض دینے سے متعلق پورٹ فولیو کے کریڈٹ رسک کی بھرپور نگرانی کیلئے باقاعدگی سے میٹنگ کا انعقاد کرتی ہے۔ کریڈٹ پورٹ فولیو کے بھرپور فروغ کو برقرار رکھنے کیلئے بینک کے کریڈٹ رسک مینجمنٹ پروسس کو مستقل طور پر فروغ دیا جا رہا ہے اور مستقبل میں چیلنجز سے بردار ماہونے کیلئے اس میں مزید بہتری لائی جا رہی ہے۔ مزید یہ کہ کریڈٹ رسک مینجمنٹ سے متعلق سرگرمیوں میں معاونت کیلئے کریڈٹ رسک مانیٹرنگ یونٹ بنایا گیا ہے تاکہ کریڈٹ رسک مینجمنٹ ٹولز کو ترتیب دیا جائے اور اس پر عملدرآمد کیا جائے جو صنعت، جغرافیائی اور سیکورٹری حد، اور کریڈٹ رسک کی جانچ/اسٹیٹ بینک آف پاکستان اور Basel II/III کی درکار ضروریات کو پورا کرنے کے لئے شریاتی تکنیک کے استعمال پر مشتمل ہے۔

قرضوں کے مسائل سے متعلق خطرات اور غیر یقینی صورت حال کا انتظام عمومی انتظام کے مقابلے میں مختلف اور زیادہ توجہ طلب حیثیت رکھتا ہے۔ اس سلسلے میں ایک اسٹیبلش ایسٹ مینجمنٹ (SAM) یونٹ تشکیل دیا گیا ہے جو اسٹیٹ بینک آف پاکستان کی قواعد و ضوابط کی رہنما ہدایات پر عمل پیرا ہو کر تدارکی انتظامی معاملات اور اعلیٰ انتظام کیلئے مخصوص پورٹ فولیو ملکیت کے حصول پر اپنی توجہ مرکوز کرتا ہے اور تصفیہ کیلئے حل کے مؤثر طریقہ کار کی جانچ کرتا ہے جیسا کہ بینک کی تدارکی انتظامی پالیسی میں وضاحت کی گئی ہے۔

سرمائے کے انتظام کے حوالے سے بینک کا کاروباری ضابطہ عمل اس بات کو یقینی بناتا ہے کہ بینک ایک خاطر خواہ سرمایہ رکھتا ہے اور کاروباری سرگرمیوں سے متعلق خطرات سے باآسانی نمٹ سکتا ہے۔ بینک کے سرمائے کے انتظام کا اہم مقصد اس بات کو یقینی بنانا ہے کہ بینک سرمائے سے متعلق تمام ضروری قواعد و ضوابط پر عمل پیرا ہوتا ہے اور اس کے علاوہ ایک مستحکم کریڈٹ ریٹنگ برقرار رکھنے کے ساتھ سرمائے کا اعلیٰ تناسب بھی برقرار رکھتا ہے تاکہ کاروباری مزید توسیع ہو اور حصص یافتگان کے سرمائے کی ویلیو میں زیادہ سے زیادہ اضافہ ہو۔

لرننگ اور آگنائزیشن ڈیولپمنٹ

بینک نئی تقرری، اعلیٰ کارکردگی کے حامل متروک عملے کو مستحکم کرنے اور اسے مزید بہتر بنانے کیلئے مدد دے گا۔ 2017 میں بینک نے اپنے پہلے مینجمنٹ ٹریننگ پروگرام پر عملدرآمد کیا تاکہ مستقبل میں اعلیٰ قیادت حاصل ہو سکے۔ بینک نے آگنائزیشن کیلئے ٹریننگ ضروریات کو پورا کرنے کیلئے ایک لرننگ اکیڈمی بھی قائم کی ہے۔

اسٹینڈ برائے انٹرنل کنٹرولز

جے ایس بینک نے اپنے تمام آپریشنز میں سخت کنٹرولز قائم کرنے پر اہمیت زور دیا ہے۔ بینک کی پالیسی کی بنیاد یہ ہے کہ وہ انڈسٹری کے بہترین طریقوں، اخلاقی معیارات اور ریگولیٹری کی ضروریات پر عملدرآمد کرے۔ اس تناظر میں بورڈ آف ڈائریکٹرز نے ایسے قوانین بنائے ہیں جو مختلف ایریا میں قابل قبول خطرات سے نمٹنے کیلئے ہیں۔ سینئر مینجمنٹ اس کے مطابق مناسب مراحل پر خطرات کی نشاندہی اور ان خطرات کی نگرانی اور انہیں کنٹرول کرنے کیلئے ضروری طریقہ کار لاگو کر سکتی ہے۔ یہ بینکنگ کے متحرک ماحول سے نمٹنے کیلئے پالیسی، سسٹمز اور طریقہ کاروں کے ایک مدتی جائزہ پر لازمی طور پر لاگو ہوتا ہے۔

سینئر مینجمنٹ کی یہ مسلسل ذمہ داری ہے کہ وہ نظام اور طریقہ کار کو فروغ دے جو بورڈ آف ڈائریکٹرز کے رہنما اصولوں کی روشنی میں تمام تر جامع کنٹرولز کو یقینی بنائے۔ ان طریقہ کاروں کی کامیابی اگر اس روٹ لیول پر مختلف طرز کی ضروریات کے فروغ کے ذریعے یقینی بنائی جاتی ہے۔ کنٹرولز کا ایک اور جز جس پر سختی سے عمل کیا جاتا ہے وہ مؤثر وفد اور چیک اور بیلنس کے ساتھ فراڈ کا الگ الگ ہونا ہے۔ تمام اسٹاف کی حوصلہ افزائی کی جاتی ہے کہ وہ طریقہ کار کو بہتر بنانے میں حصہ لیں اور اپنے آئیڈیاز پیش کریں نظام اور طریقہ کار کا مسلسل جائزہ کنٹرول کی ممکنہ خامیوں میں بہتری کو ممکن بناتا ہے۔ بینک کی جانب سے ایک لرننگ اکیڈمی کے قیام کا آغاز جو کہ نظام سے مطابقت کو بہتر بنانے میں کافی مددگار ثابت ہوگا۔

سروس مینجمنٹ اور کسٹمرز کے لئے شفاف طریقہ عمل

JS بینک کا یہ عزم ہے کہ وہ اپنے کسٹمرز کو اعلیٰ معیار کی حامل اور اطمینان بخش خدمات کی فراہمی کرے، اسی لئے اس نے ایک آزاد سروس مینجمنٹ فنکشن تشکیل دیا ہے جو سروس کے معیار، فون بینکنگ، کسٹمر کے مسائل کے حل اور ان کے ساتھ شفاف طریقہ عمل کی نگرانی کرتا ہے۔

بینک کی شکایات کے تصفیہ کی پالیسی اور گروپس ری ڈریسل میکینزم اس بات کو یقینی بناتا ہے کہ شکایات کا برقت تصفیہ کیا جائے اور ایسی شکایات کو دوبارہ نہ ہونے سے جہاں تک ممکن ہو روکا جائے۔ کسٹمرز کے پاس یہ اختیار ہے کہ وہ اپنی شکایات بینک کی براؤزر، فون بینکنگ سینٹر، JS بینک کی ویب سائٹ یا ای میل کے ذریعے کر سکتا/سکتی ہے۔ اس مرحلے میں شکایت کا اندراج، اعتراف، درمیانی مدت میں شکایت کے تصفیہ کا رد عمل، جہاں بھی قابل اطلاق ہو، شکایت کا حل اور ان شکایات کے دوبارہ رونما ہونے کے بنیادی اسباب کا تجزیہ شامل ہیں۔ بینک کے زیر انتظام سروس کوالٹی کاؤنسل (SQC) کسٹمر سروس سے متعلق اسٹیڈنگ کمیٹی کی حیثیت سے امور انجام دیتی ہے۔ سروس کوالٹی کاؤنسل کی صدارت JS بینک کے صدر اور چیف ایگزیکٹو آفیسر کے زیر انتظام ہے جس میں اعلیٰ انتظامی کمیٹی کے ممبران بھی شامل ہیں۔ سروس کوالٹی کاؤنسل سروس کی سطح پر تمام شکایات کی رپورٹس، اس سلسلے میں کئے جانے والے اقدامات اور سروس لیول میں بہتری لانے اور مجموعی طور پر کسٹمر کے لئے اطمینان بخش سروس کی فراہمی کا جائزہ لیتی ہے۔ کسٹمر کو یہ اختیار بھی حاصل ہے کہ بینک کی جانب سے شکایت کے بعد غیر اطمینان بخش جواب موصول ہونے کی صورت میں وہ بینکنگ محتسب کے آفس سے بھی رابطہ کر سکتے ہیں۔

کسٹمرز کے لئے ری کورس میکینزم کی دستیابی میں توسیع کے لئے JS بینک نے اپنے کمپلیٹ پیڈلنگ فنکشن میں کسٹمر کے ساتھ متعدد کمیونیکیشنز جیسا کہ کاؤنٹ اسٹیٹمنٹس، اے ٹی ایم اسکریمز، لیٹرز اور ایس ایم ایس میسجز کا آغاز کیا ہے۔ ایک مکمل گروپس ری ڈریسل میکینزم، رابطے کے چینلز اور آن لائن فیڈ بیک فارمز JS بینک کی ویب سائٹ کے ذریعے دستیاب کئے گئے ہیں اور اس کے علاوہ ای میل براڈ کاسٹ بھی کسٹمر کو آگاہی فراہم کرنے کیلئے بھیجے گئے ہیں۔ کسٹمرز کیلئے شفاف طریقہ عمل ہمارے کارپوریٹ کلچر کا ایک لازمی جزو ہے۔ بینک نے ”کسٹمر یومر پریکٹیشن فریم ورک“ کو ادارے کی شکل میں منظم کیا ہے۔ پروڈکٹس اور سروسز کے انتظام، ان کی ڈیزائننگ اور فروخت کے دوران ہم ترجیحاً کسٹمر کے مفاد کو بلا امتیاز اپنے ذہن میں رکھتے ہیں۔ ہمارے کسٹمر یومر ایجوکیشن اور فنانشل لٹریسی پروگرام کے ذریعے ہم مالیاتی طور پر کسٹمر کی آگاہی اور معلومات کے لئے اپنی توجہ مرکوز کرتے ہیں تاکہ وہ کسٹمر یومر کے مالی فیصلوں سے آگاہی حاصل کر سکیں اور ایک ذمہ دارانہ اسلوب کو اپنائیں۔

خطرات سے نمٹنے کا انتظام

بورڈ کا یہ عزم ہے کہ وہ خطرات سے نمٹنے کے بہتر انتظامی طریقہ کار کو تمام قواعد و ضوابط کے ساتھ بروئے کار لائے۔ ایک موثر رسک مینجمنٹ کے طریقہ کار کو برقرار رکھنے کیلئے بینک اسٹیٹ بینک آف پاکستان کی قواعد و ضوابط کی جاری کردہ ہدایات اور دیگر Basel III/II فریم ورک کی متعلقہ ہدایات کے تحت ایک موثر رسک مینجمنٹ فریم ورک پر عمل کرتا ہے۔ اس سلسلے میں بینک نے خطرات سے نمٹنے کی ایک انتہائی جامع حکمت عملی پر مبنی طریقہ کار ترتیب دیا ہے جن کی مدد سے بینک کو تمام بڑے نوعیت کے خطرات جن میں کریڈٹ، مارکیٹ، لکویڈیٹی، آپریشنل اور آئی ٹی سیکورٹی شامل ہیں، پر بہتر طور پر زیر غور لانے کا موقع ملتا ہے۔

بینک کا مجموعی رسک مینجمنٹ فریم ورک بورڈ آف ڈائریکٹرز/بورڈ رسک مینجمنٹ کمیٹی کے زیر نگران ہے جبکہ آپریشنل لیول کے روزمرہ امور بینک کی اعلیٰ انتظامیہ کے زیر انتظام ہیں۔ ہولڈنگ انٹیگر ایڈ رسک مینجمنٹ کو مزید بہتر بنانے کیلئے ایک مخصوص اور آزاد کریڈٹ اینڈ رسک مینجمنٹ گروپ، جس میں متنوع تجربہ رکھنے والے ماہرین شامل ہیں، بینک میں رسک مینجمنٹ کے متعدد پہلوؤں کے نظم و نسق کے لئے موجود ہے۔ بینک کے اندر رسک مینجمنٹ کو باضابطہ بنانے اور اسے مستحکم کرنے کیلئے درج ذیل حکمت عملی ترتیب/نظر ثانی کی گئی ہے جن کی منظوری بورڈ دی ہے:

- کریڈٹ پالیسی
- کو لیٹریل انتظامی پالیسی
- مارکیٹ رسک مینجمنٹ پالیسی
- آپریشنل رسک مینجمنٹ فریم ورک
- لکویڈیٹی رسک مینجمنٹ پالیسی
- برنس کے تسلسل کی پالیسی

BRMC بینک کی مجموعی رسک پروفائل کی نگرانی رکھتا ہے۔ مینجمنٹ کی انٹیگرٹیڈ رسک مینجمنٹ کمیٹی (IRMC) اور اثاثوں اور واجبات کی کمیٹی (ALCO) ایک قائم شدہ فریم ورک کے اندر فعال ہے تاکہ بینک کی سرگرمیوں کی نگرانی کی جائے اور واضح کردہ حدود کے اندر خطرے کی سطح کو کم رکھا جائے اور روزانہ بنیاد پر مینٹنگ کا انعقاد کر کے مارکیٹ ڈیولپمنٹ اور بینک کے لئے مالی خطرات کا جائزہ لیا جائے۔

ایڈوانسز

انٹوائٹ کے حوالے سے کسٹمر کی ضروریات کو مد نظر رکھتے ہوئے تیار کی گئی پروڈکٹس کی جامع ریج کے ذریعے ایڈوانسز میں محتاط اضافے پر خاص توجہ دی گئی۔ پبلک سیکٹر کے قرضہ جات (حکومت پاکستان کے)، کارپوریٹ، کمرشل، چھوٹی اور درمیانی انٹرنیٹ پر انٹرنیٹ (SME) اور کنزیومر بینکنگ میں متنوع اضافے سے مجموعی نیٹ ایڈوانسز %96.3 تک اضافے کے ساتھ 184.1 بلین روپے ہیں۔

اس کے علاوہ روایتی قرضہ جات کے شعبوں میں بینک نے کئی مخصوص ایس ایم ای (SME) برانچز پر مبنی قرضوں کے مثالی تعلقات کے ذریعے ایس ایم ای کے دائرہ کار پر اپنی توجہ میں مزید اضافہ کیا۔ مزید برآں، سال 2017 میں سیکورٹیز اور ڈیٹا کی ضروریات پر مبنی قرضوں کے حجم بھی معقول اضافہ ہوا۔ معیشت کے تمام انڈسٹریل سیکٹرز کی ضروریات پوری کرنے کے لئے لیونگ برنس کا بھی ایک متنوع پورٹ فولیو تیار کیا گیا۔

بینک نے اپنی ویلویو چین کے اندر ذاتی کاروبار کے فروغ کیلئے پاکستان کے ممتاز کاروبار کے ساتھ متعدد اشتراک کے ذریعے پرائم منسٹر یوتھ برنس لون (PMYBL) کی پورٹ فولیو میں توسیع کی ہے۔ JS بینک SBP کی جانب سے تفویض کئے جانے والے کریڈٹ اہداف سے شفاف پورٹ فولیو کے ساتھ تجاوز کر چکا ہے جس سے آنے والے سالوں میں ایک مستحکم اضافہ ہوگا۔ بینک نے اپنے گولڈن فنانس پورٹ فولیو میں مسلسل اضافہ کر رہا ہے، اس کے ساتھ ساتھ اپنے ایگری۔ میڈیکل سیکٹرز میں مزید اضافہ کیا ہے۔

فیس پستی کاروبار

بینک انٹرسٹ اور فیس کی مد میں حاصل ہونے والی آمدنی کے اضافے کیلئے مسلسل کوشاں ہے۔ بینک کی حسب معمول فیس کی رواں آمدنی میں اضافے کیلئے بینک نے اپنے موجودہ اور نئے کسٹمر کو فیس کی بنیاد پر متعدد پروڈکٹس کی فروخت پر اپنی توجہ مرکوز رکھی ہے۔

تجارتی کاروبار بینک کی ترقی کیلئے انتہائی اہم رہا ہے جس کے تحت تجارتی کاروبار کو قرضوں کے تبادلے کے ذریعے توسیع دینے کیلئے ٹیموں نے توجہ مرکوز کی۔ اس کے نتیجے میں JS بینک نے اپنے تجارتی کاروبار کی حجم میں 75 بلین روپے کا اضافہ کیا جو کہ کل 33.6 فیصد اضافہ ہے اور 90 ممالک میں اپنا بینکنگ نیٹ ورک تکمیل دے چکا ہے۔

سرمایہ کاری بینکنگ کل آٹھ کیپیٹل مارکیٹ ٹرانزیکشنز اور متعدد شعبہ جات میں بہت سے مشاورتی اور مشترکہ انتظامات کے ساتھ اختتام پذیر ہوئی۔ ڈیٹ کیپیٹل مارکیٹس میں نئے اجراء کیلئے JS بینک کا مارکیٹ شیئر 75 فیصد سے زائد رہا جو اب تک کا سب سے بڑا شیئر ہے۔ مزید یہ کہ بینک نے ترقی پذیر کاروبار کی مالی ضروریات کو پورا کرنے کیلئے گلوبل DFIs کے ساتھ بڑھتی ہوئی پارٹنرشپ پر بھی اپنی توجہ مرکوز رکھی ہے۔

بینک نے اپنے میڈیم اور بڑے کسٹمرز کیلئے کیش مینجمنٹ سلوشنز کو متعارف کرا کر اپنے جمیٹ برنس کو مستحکم کیا ہے جس میں بینک نے انتہائی جدید آن لائن کیش مینجمنٹ پورٹل کی معاونت سے ادائیگی اور رقم جمع کرنے کی مکمل ریج پیش کی ہے۔ اس کے ساتھ ساتھ ڈیجیٹل بینکنگ کی مدد سے ادائیگیوں میں تیزی سے آنے والی جدت اور سسٹم میں بڑی تبدیلی کے تقاضوں کو پورا کرنے کیلئے ڈیجیٹل بینکنگ سلوشنز متعارف کرائے جا رہے ہیں۔

بینک نے پروڈکٹ ریج اور فیس کی بنیاد پر آمدنی میں زبردست توسیع کے ساتھ اپنے ویلویو مینجمنٹ کراس سیلنگ برنس میں بھی اضافہ کیا ہے جس میں میوچول فنڈز اور بینک انشورنس شامل ہیں۔

خاطر خواہ اضافے کے دیگر ذرائع میں ملکی سطح پر ترسیلات زر کا کاروبار بھی ہے جہاں بینک نے گلوبل پارٹنر نیٹ ورک کے ساتھ اپنی ٹرانزیکشن میں %23 اضافہ کیا۔

استحکام

JS بینک پاکستان میں ماحولیاتی اور معاشرتی ذمہ داری کی حیثیت سے بینکنگ سلوشنز متعارف کرانے میں سب سے آگے رہا ہے۔ دوسرے پاکستان بینکنگ ایوارڈز 2017 میں مہوش اینڈ جہانگیر صدیقی فاؤنڈیشن (MJSF) کے اشتراک سے کئے گئے اقدامات کو سراہتے ہوئے، انٹیٹیوٹ آف بینکرز پاکستان (IBP) نے JS بینک کو 2017 میں ”بیسٹ انواریمنٹل، سوشل اور گورننس بینک“ کا ایوارڈ دیا ہے۔

JS بینک پاکستان کا پہلا بینک ہے جسے WWF پاکستان کی جانب سے گرین آفس سرٹیفیکیشن کا اعزاز دیا گیا ہے۔

ملین پاکستانی روپے

| مندرجات | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|--------------------|--------|---------|---------|---------|---------|---------|
| ڈپازٹس | 62,544 | 80,916 | 108,740 | 141,840 | 226,099 | 290,078 |
| ایکویٹی | 8,786 | 9,139 | 11,704 | 13,567 | 15,427 | 16,179 |
| مجموعی اثاثے | 81,570 | 112,770 | 176,717 | 218,476 | 264,700 | 388,309 |
| انوسٹمنٹس۔ خالص | 46,259 | 42,679 | 84,258 | 116,030 | 133,727 | 169,612 |
| ایڈوانسز۔ خالص | 20,055 | 33,762 | 62,433 | 76,666 | 93,794 | 184,140 |
| مارک اپ خام آمدنی | 6,023 | 6,850 | 11,113 | 15,328 | 15,081 | 20,381 |
| خالص مارک اپ آمدنی | 2,265 | 2,325 | 3,854 | 5,590 | 5,728 | 6,242 |
| نان مارک اپ آمدنی | 1,806 | 1,678 | 2,590 | 3,290 | 4,861 | 4,051 |
| منافع قبل از ٹیکس | 980 | 501 | 1,608 | 3,174 | 3,390 | 1,621 |
| منافع بعد از ٹیکس | 709 | 351 | 1,060 | 2,026 | 2,077 | 973 |
| برانچز | 185 | 211 | 238 | 277 | 307 | 323 |
| ملازمین | 1,715 | 2,082 | 2,442 | 2,946 | 4,163 | 4,998 |

فی حصص منافع (EPS)

2016 کے فی حصص منافع 1.77 روپے کے مقابلے میں 31 دسمبر 2017 کو ختم ہونے والے سال کا فی حصص منافع 0.74 روپے تھا۔

کفایت سرمایہ (Capital Adequacy)

JS بینک کی شرح کفایت سرمایہ (CAR) 2016 کی 14.05% کے مقابلے میں 31 دسمبر 2017 کو 11.95% تھی۔ اسٹیٹ بینک آف پاکستان کی جانب سے تجویز کردہ کم از کم درکار شرح کفایت سرمایہ (بشمول کیپٹل کنزرویشن بفر) 11.28% تھی۔

کاروباری جائزہ

JS بینک نے ٹیلنس شیٹ میں غیر معمولی اضافہ جاری رکھا اور ایڈوانسز میں مثبت اضافے، ڈپازٹ کی جارحانہ تنظیم اور متنوع فیس بزنس کی مدد سے 46.7% سال بسال اضافہ حاصل کیا۔ جدید پروڈکٹس، اشتراک اور خود کارڈ لیوری سروس کے ذریعے کسٹمرز کی ضرورت کو پہچاننا اور انہیں پورا کرنا بینک کی حکمت عملی کی بنیاد ہے۔ کسٹمر کو بینکنگ کا مؤثر اور اطمینان بخش تجربہ فراہم کرنے کیلئے برانچ نیٹ ورک میں اضافے، ڈیجیٹل چینلز اور برانچ لیس بینکنگ ایپلیکیشن کے ذریعے کسٹمر کی رسائی کو مزید آسان اور بہتر بنایا گیا۔ JS بینک 1616 شہروں میں 323 برانچوں اور 294 ایگزیکٹو پوزیشنوں پر ایک مضبوط نیٹ ورک ہے، جس میں دو بیرون ملک ہول سیل بینکنگ برانچز مانانا اور بحرین کی بھی شامل ہیں۔

ڈپازٹس

JS بینک ڈپازٹس میں اضافے پر بھرپور توجہ دے رہا ہے اور اس کا بنیادی ہدف کم قیمت ڈپازٹس (کرنٹ اور سیوننگز اکاؤنٹس - CASA) میں اضافہ ہے۔ معیشت کو درپیش چیلنجز کے باوجود 2017 کے اختتام پر بینک کے ڈپازٹس 290 ملین تھے، جو 2016 کے مقابلے میں 28.3% اضافہ ظاہر کرتا ہے۔ ٹرم ڈپازٹ کے پورٹ فولیو میں اضافے سے کاسا ڈپازٹس میں شاندار اضافہ ممکن ہوا جو بینک کے استحکام اور مضبوطی کا باعث بنا۔

بینک نے اپنی پروڈکٹ لائن کو مزید مضبوط بنانے کیلئے کئی اقدامات کئے ہیں جن میں اضافی سہولیات کے ساتھ مختلف کرنٹ اکاؤنٹس شامل ہیں تاکہ کئی شعبوں بشمول بزنس اکاؤنٹس، ایسپلانی بینکنگ، کیش مینجمنٹ ریلیشن شیپ، کارپوریٹ ڈپازٹس اور ٹیکنالوجی پر مبنی سلوشنز کے ڈپازٹس میں اضافہ کیا جاسکے۔

ڈائریکٹرز رپورٹ

ہم انتہائی مسرت کے ساتھ 31 دسمبر 2017 کو ختم ہونے والے سال کیلئے JS بینک لمیٹڈ ("JSBL") کی بارہویں سالانہ رپورٹ جمع آڈٹ شدہ اکاؤنٹس اور آڈیٹرز رپورٹ پیش کرتے ہیں۔

معیشت

سال 2017 میں معیشت بدستور واضح بہتری کی جانب گامزن نظر آئی۔ اسٹیٹ بینک آف پاکستان (SBP) کی رپورٹ کے مطابق توقع ہے کہ مالی سال 2017-18 کیلئے پاکستانی معیشت 6% کا بہتری کا ہدف حاصل کر لے گی۔ یہ مستقبل میں ملازمتوں کے مواقع پیدا ہونے کی علامت ہے اور نشاندہی کرتا ہے کہ بہتری کی رفتار درمیانی مدت میں بھی جاری رہے گی۔ معیشت میں بہتری کو مستحکم سودی شرح اور افراط زر کی سطح سے مزید تقویت ملی جو سال کے دوران اوسطاً 4.09% رہی۔ گھریلو اشیاء سے حاصل ہونے والی آمدنی اور بڑھتی ہوئی ڈل کلاس سے ریٹیل سٹور اور کمرشل سرگرمیوں میں اضافہ ہوا۔ مالیاتی حوالے سے مالی سال 2017-18 کی پہلی ششماہی میں 18% تک اضافے کے ساتھ سالانہ آمدنی میں بہتری آئی۔ بجلی کی پیداوار اور طلب کا خلاء کم ہوا اور چائنا پاکستان اقتصادی راہداری (CPEC) میں شامل توانائی کے منصوبوں پر تیزی سے کام ہونے کی وجہ سے بتدریج کم ہونے کی توقع ہے۔

عدم تحفظ کی علامات تاہم موجود ہیں۔ بہتری کے باوجود سالانہ آمدنی اپنے ہدف سے ابھی بھی کم ہے۔ خام تیل کی عالمی قیمتوں کی بحالی اور مشینری کی درآمدات میں اضافے سے درآمدی بل میں اضافہ ہوا۔ عالمی سطح پر، بالخصوص مشرق وسطیٰ اور شمالی افریقہ (MENA) ریجن میں ترسیل زر میں خرابی کے باعث ملازمین کی ترسیل زر کے بہاؤ میں کمی آئی (سال 2017 میں ترسیل زر 0.7 سال بسال تک کم ہو کر 19.6 بلین امریکی ڈالر تھی)۔ جس نے نیٹنس آف پیمنٹس (BOP) کی مجموعی صورتحال پر اثر ڈالا، جو غیر یقینی رہی کیونکہ زرمبادلہ کے ذخائر 20.17 بلین امریکی ڈالر (31 دسمبر 2017 کو) تھے، جو 2016 سے 13% سال بسال کی ظاہر کرتا ہے۔ پاکستانی روپیہ یہ دباؤ برداشت کرنے میں ناکام رہا اور ڈالر/پاکستانی روپے شرح مبادلہ 1/105 سے گزر کر 1/111 ہو گئی۔

شعبہ بینکاری کا جائزہ

اسٹیٹ بینک آف پاکستان نے 2017 کیلئے پالیسی ریٹ 5.75% برقرار رکھا جبکہ 2017 میں بینکاری تفاوت میں مزید کمی آئی، سال بھر میں اوسطاً 4.94%، جو 17 سپر پوائنٹس (پی بی ایس) سال بسال کی ظاہر کرتی ہے۔ سال میں شعبہ بینکاری کے ڈپازٹس 12,362 بلین تھے جو 10% سال بسال اضافہ ہے۔ 6,530 بلین روپے کے ایڈوانسز 17% سال بسال اضافہ ظاہر کرتے ہیں، جس سے انڈسٹری کا ایڈوانسز نوڈ پاؤڈ ریٹو (ADR) 53% تک چلا گیا۔ نومبر 2017 کو پرائیویٹ سیکٹر کے کریڈٹ میں اضافہ 18% تھا، جس کی وجہ خوراک، ٹیکسٹائل اور کنزیومر کے شعبوں میں قرضہ جات میں اضافہ تھا۔ مزید برآں، انڈسٹری کے غیر ادا شدہ قرضے (NPLs) دسمبر 2016 کے 605 بلین روپے کی سطح سے تجاوز کر کے ستمبر 2017 کو 631 بلین روپے تک پہنچ گئے۔ مجموعی ایڈوانسز میں تیز اضافے سے انڈسٹری کا انفیکشن ریٹو 10.9% سے کم ہو کر 10.0% ہو گیا۔ انویسٹمنٹس 18% تک سال بسال اضافے کے ساتھ 8,542 بلین روپے تک پہنچ گئیں، جس کے نتیجے میں انویسٹمنٹ نوڈ پاؤڈ ریٹو (IDR) 69% تک پہنچ گیا۔ حکومتی اندرونی قرضوں کا رجحان شارٹ ٹرم پیپر کی جانب رہا جس سے رول اوور رسک میں اضافہ ہوا، کیونکہ مالی سال 2017 کی دوسری ششماہی کے دوران پاکستان انویسٹمنٹس بانڈز (PIBs) سے مارکیٹ ٹریڈیبلز (MTBs) کی جانب قرضوں کے رجحان میں تیزی دیکھی گئی۔ اس کی وجہ یہ تھی کہ مارکیٹ پارٹیشنس مقابلتا کم منافع پر درمیانی سے طویل مدت کی ایسی گورنمنٹ سیکورٹیز میں زیادہ شرکت سے چمکا ہٹ کا شکار ہے جن کے انٹرسٹ ریٹ میں اضافے کا کوئی امکان نظر نہیں آ رہا تھا۔

مالیاتی کارکردگی

نئے اقدامات کے آغاز کی وجہ سے آپریٹنگ اخراجات میں اضافے کے باوجود بینک نے 2017 میں بھرپور نتائج حاصل کئے جن کا خلاصہ مندرجہ ذیل ہے:

| 2016 | 2017 | |
|--------|--------|-----------------------------------|
| 3,390 | 1,621 | منافع قبل از ٹیکس - بلین روپے |
| 2,077 | 973 | منافع بعد از ٹیکس - بلین روپے |
| 1.77 | 0.74 | فی شخص آمدنی (بیسک) - روپے |
| 1.60 | 0.74 | فی شخص آمدنی (ڈائریکٹوریٹ) - روپے |
| 0.86% | 0.30% | اوسط اثاثوں پر ریٹرن (ROAA) |
| 14.33% | 6.16% | اوسط ایکویٹی پر ریٹرن (ROAE) |
| 14.05% | 11.95% | کمپنیل ایڈیوکیٹس ریٹو (CAR) |
| 41.48% | 63.48% | ایڈوانسز کو ڈپازٹس ریٹو (ADR) |

گزشتہ 6 سالوں کی مالیاتی تفصیلات کا خلاصہ مندرجہ ذیل ہے:



Creating Greater Value Through
Social Efforts



JS Bank has made a difference in many lives through the PMYBL program by enabling youth to create their own success stories.

JS Bank is empowering Pakistani youth by financing vehicles for use on the Careem Network

JS Bank has joined hands with Nestle Pakistan to generate opportunities for young dairy farmers, between the ages of 21 and 45 years, by helping them develop new or grow their existing businesses.

Statement of Compliance with the Code of Corporate Governance

(See clause (5.19.24))

Name of company: **JS Bank Limited (the 'Company')**
 Year ended: **December 31, 2017**

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

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No.19 of Chapter 5 (Listing of Companies and Securities Regulations) of Rule Book of Pakistan Stock Exchange Limited, for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

| Category | Names |
|-------------------------|------------------------------------|
| Independent Directors | Mr. G.M. Sikander |
| | Ms. Nargis Ali Akbar Ghaloo |
| | Mr. Shahab Anwar Khawaja |
| Executive Director | Mr. Khalid Imran (President & CEO) |
| Non-Executive Directors | Mr. Ali Jehangir Siddiqui |
| | Mr. Adil Matcheswala |
| | Mr. Ashraf Nawabi |
| | Mr. Kalim-ur-Rahman |
| | Mr. Munawar Alam Siddiqui |

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

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including the Bank (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or NBFIs or, being a broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred on the Board during the year 2017.
5. The Bank has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the

Bank along with its supporting policies and procedures.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days

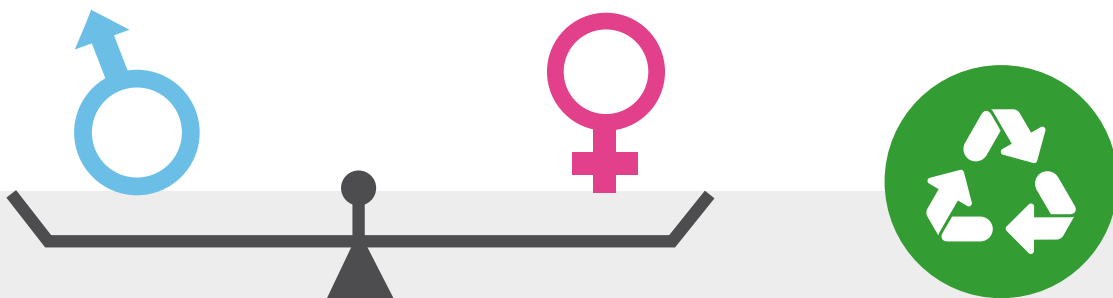
- before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The directors on the Board are fully conversant with their duties and responsibilities as directors of the Bank. Further, in accordance with the criteria specified in rule 5.19.7 of the Rule Book of Pakistan Stock Exchange Limited, five directors have completed Directors' Training Program and three directors of the Bank are exempt from the requirement of Directors' Training Program.
 10. No new appointment of CEO, CFO and Company Secretary has been made during the financial year.
 11. The Directors Report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
 12. The Financial Statements of the Bank were duly endorsed by CEO and CFO before approval of the Board.
 13. The Directors, CEO and executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.
 14. The Bank has complied with all the corporate and financial reporting requirements of the CCG.
 15. The Board has formed an Audit Committee. It comprises of three members, of whom two are independent directors and one is a non-executive director. The Chairman of the Audit Committee is an independent director.
 16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Bank as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
 17. The Board has formed a Human Resource, Remuneration & Nomination Committee. It comprises of three members, two of which are independent directors and one is a non-executive director. The Chairman of the committee is an independent director.
 18. The Board has set up an effective internal audit function comprising of suitably qualified and experienced persons who are conversant with the policies and procedures of the Bank.
 19. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
 20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
 21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of the Bank's securities, was determined and intimated to directors, employees and the Pakistan Stock Exchange.
 22. Material/price sensitive information has been disseminated among all market participants at once through the Pakistan Stock Exchange.
 23. The Bank has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
 24. We confirm that all other material principles enshrined in the CCG have been complied with.

Khalid Imran
 President &
 Chief Executive Officer

Dated: March 3, 2018



Creating Greater Value Through
Good Governance



JS Bank has amended its Equal Opportunity Employment and Gender Policy to incorporate gender sensitive issues throughout the Bank as well as in potential investments.

JS Bank recognizes the importance and relevance of social and environmental risk management and has passed an Environmental and Social Policy to identify and address all environmental risks associated with its activities



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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **JS Bank Limited** (the Bank) for the year ended **31 December 2017** to comply with the requirements of the Rule Book of Pakistan 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 of Compliance reflects the status of the Bank's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Bank's personnel and review of various documents prepared by the Bank to comply with the Code.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Bank's corporate governance procedures and risks.

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code as applicable to the Bank for the year ended 31 December 2017.

Chartered Accountants

Date: 06 March 2018

Karachi

Unconsolidated Financial Statements

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed statement of financial position of **JS Bank Limited** (the Bank) as at **31 December 2017** and the related profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement, 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 sixteen 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 received from the branches have been found adequate for the purposes of our audit;
- (b) in our opinion:
 - (i) the statement of financial position and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the changes in accounting policies as disclosed in notes 4.5.1 to the accompanying financial statements with which we concur;
 - (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 statement of financial position, profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement, 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 2017 and its true balance of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and

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

EY Ford Roden

Chartered Accountants

Audit Engagement Partner: Shabbir Yunus

Date: 06 March 2018

Karachi

Unconsolidated Statement of Financial Position

As at December 31, 2017

| 2017 | 2016 | | 2017 | 2016 |
|------------------------------|------------------|---|----------------------------|--------------------|
| ---- US Dollars in '000 ---- | | | ----- Rupees in '000 ----- | |
| ASSETS | | | | |
| 156,984 | 140,458 | Cash and balances with treasury banks | 17,333,788 | 15,508,968 |
| 9,367 | 6,817 | Balances with other banks | 1,034,266 | 752,710 |
| 28,222 | 102,651 | Lendings to financial institutions | 3,116,199 | 11,334,414 |
| 1,536,097 | 1,211,103 | Investments - net | 169,611,558 | 133,726,610 |
| 1,667,671 | 849,452 | Advances - net | 184,139,582 | 93,794,134 |
| 64,418 | 52,865 | Operating fixed assets | 7,112,821 | 5,837,181 |
| - | - | Deferred tax assets - net | - | - |
| 53,983 | 33,930 | Other assets | 5,960,662 | 3,746,476 |
| 3,516,742 | 2,397,276 | | 388,308,876 | 264,700,493 |
| LIABILITIES | | | | |
| 34,635 | 23,040 | Bills payable | 3,824,278 | 2,544,028 |
| 584,665 | 93,464 | Borrowings | 64,557,043 | 10,320,047 |
| 2,627,105 | 2,047,679 | Deposits and other accounts | 290,077,566 | 226,098,931 |
| 45,272 | 27,170 | Sub-ordinated loans | 4,998,800 | 3,000,000 |
| - | - | Liabilities against assets subject to finance lease | - | - |
| 7,216 | 10,916 | Deferred tax liabilities - net | 796,803 | 1,205,362 |
| 66,883 | 44,219 | Other liabilities | 7,385,057 | 4,882,600 |
| 3,365,776 | 2,246,488 | | 371,639,547 | 248,050,968 |
| 150,966 | 150,788 | NET ASSETS | 16,669,329 | 16,649,525 |
| REPRESENTED BY | | | | |
| 97,128 | 97,128 | Share capital | 10,724,643 | 10,724,643 |
| (19,068) | (19,068) | Discount on issue of shares | (2,105,401) | (2,105,401) |
| 13,585 | 13,585 | Preference shares | 1,500,000 | 1,500,000 |
| 13,956 | 12,083 | Reserves | 1,540,988 | 1,334,122 |
| 40,925 | 35,985 | Unappropriated profit | 4,518,820 | 3,973,341 |
| 146,526 | 139,713 | | 16,179,050 | 15,426,705 |
| 4,440 | 11,075 | Surplus on revaluation of assets - net of tax | 490,279 | 1,222,820 |
| 150,966 | 150,788 | | 16,669,329 | 16,649,525 |

CONTINGENCIES AND COMMITMENTS

23

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

Chairman

President and
Chief Executive Officer

Director

Director

Chief Financial Officer

Unconsolidated Profit and Loss Account

For the year ended December 31, 2017

| 2017 ---- US Dollars in '000 ---- | 2016 | | Note | 2017 ----- Rupees in '000 ----- | 2016 |
|--------------------------------------|----------|--|------|------------------------------------|-------------|
| 184,583 | 136,582 | Mark-up / return / interest earned | 24 | 20,381,171 | 15,081,015 |
| 128,053 | 84,709 | Mark-up / return / interest expensed | 25 | 14,139,220 | 9,353,282 |
| 56,530 | 51,873 | Net mark-up / interest income | | 6,241,951 | 5,727,733 |
| (1,837) | 577 | (Provision) / reversal against non-performing loans and advances - net | 11.4 | (202,814) | 63,687 |
| (1,114) | (3,759) | Provision for diminution in value of investments - net | 10.4 | (123,031) | (415,027) |
| - | (1) | Bad debts written off directly | | - | (83) |
| (2,951) | (3,183) | | | (325,845) | (351,423) |
| 53,579 | 48,690 | Net mark-up / interest income after provisions | | 5,916,106 | 5,376,310 |
| | | NON MARK-UP / INTEREST INCOME | | | |
| 19,239 | 12,920 | Fee, commission and brokerage income | 26 | 2,124,308 | 1,426,594 |
| 1,511 | 885 | Dividend income | | 166,858 | 97,703 |
| 3,236 | 2,832 | Income from dealing in foreign currencies | | 357,347 | 312,753 |
| 11,195 | 26,866 | Gain on sale of securities - net | 27 | 1,236,163 | 2,966,474 |
| (23) | (12) | Unrealised loss on revaluation of investments classified as held-for-trading - net | 10.5 | (2,488) | (1,297) |
| 1,532 | 535 | Other income - net | 28 | 169,152 | 59,042 |
| 36,690 | 44,026 | Total non mark-up / interest income | | 4,051,340 | 4,861,269 |
| 90,269 | 92,716 | NON MARK-UP / INTEREST EXPENSES | | 9,967,446 | 10,237,579 |
| 74,774 | 61,118 | Administrative expenses | 29 | 8,256,335 | 6,748,444 |
| 406 | - | Other provisions / write offs | 13.7 | 44,806 | - |
| 414 | 898 | Other charges | 30 | 45,741 | 99,199 |
| 75,594 | 62,016 | Total non-mark-up / interest expenses | | 8,346,882 | 6,847,643 |
| 14,675 | 30,700 | | | 1,620,564 | 3,389,936 |
| - | - | Extraordinary / unusual items | | - | - |
| 14,675 | 30,700 | PROFIT BEFORE TAXATION | | 1,620,564 | 3,389,936 |
| | | Taxation | | | |
| (4,667) | (9,336) | - Current | | (515,275) | (1,030,882) |
| (664) | (873) | - Prior years | | (73,298) | (96,422) |
| (533) | (1,685) | - Deferred | 18.1 | (58,842) | (186,016) |
| (5,864) | (11,894) | | 31 | (647,415) | (1,313,320) |
| 8,811 | 18,806 | PROFIT AFTER TAXATION | | 973,149 | 2,076,616 |
| 35,985 | 22,905 | Unappropriated profit brought forward | | 3,973,341 | 2,529,092 |
| 44,796 | 41,711 | Profit available for appropriation | | 4,946,490 | 4,605,708 |
| | | | | ---- Rupee(s) ---- | |
| ---- US Dollars ---- | | | | | |
| 0.01 | 0.02 | Basic earnings per share | 32 | 0.74 | 1.77 |
| 0.01 | 0.01 | Diluted earnings per share | 32 | 0.74 | 1.60 |

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

Chairman President and Chief Executive Officer Director Director Chief Financial Officer

Unconsolidated Statement of Comprehensive Income

For the year ended December 31, 2017

| 2017 ---- US Dollars in '000 ---- | 2016 | | Note | 2017 ----- Rupees in '000 ----- | 2016 |
|--------------------------------------|----------|---|------|------------------------------------|-------------|
| 8,811 | 18,806 | Profit after taxation | | 973,149 | 2,076,616 |
| | | Other comprehensive income | | | |
| | | Items that are not to be reclassified to profit or loss in subsequent periods | | | |
| (775) | (516) | Actuarial loss on defined benefit plan | 35.5 | (85,542) | (56,991) |
| 271 | 181 | Related current tax | | 29,940 | 19,947 |
| (504) | (335) | | | (55,602) | (37,044) |
| | | Items that may be reclassified to profit or loss in subsequent periods | | | |
| | | Effect of translation of net investment in foreign branches | | 12,236 | (17) |
| 111 | - | | | | |
| (393) | (335) | | | (43,366) | (37,061) |
| 8,418 | 18,471 | Comprehensive income transferred to equity | | 929,783 | 2,039,555 |
| | | Component of comprehensive income not reflected in equity | | | |
| | | Items that are or may be reclassified to profit or loss in subsequent periods | | | |
| (16,988) | (17,553) | Net change in fair value of available-for-sale securities | | (1,875,788) | (1,938,155) |
| 5,946 | 6,144 | Related deferred tax | | 656,526 | 678,354 |
| (11,042) | (11,409) | | | (1,219,262) | (1,259,801) |
| (2,624) | 7,062 | Total comprehensive (loss) / income for the year | | (289,479) | 779,754 |

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

Chairman

President and
Chief Executive Officer

Director

Director

Chief Financial Officer

Unconsolidated Statement of Changes in Equity

For the year ended December 31, 2017

| | Share capital | Discount on issue of shares | Preference shares | Reserves | | Unappropriated profit | Total |
|--|---------------|-----------------------------|-------------------|-------------|----------------------|-----------------------|------------|
| | | | | Statutory * | Exchange translation | | |
| ----- Rupees in '000 ----- | | | | | | | |
| Balance as at January 01, 2016 | 10,724,643 | (2,105,401) | 1,500,000 | 918,816 | - | 2,529,092 | 13,567,150 |
| Total comprehensive income for the year ended December 31, 2016 | | | | | | | |
| Profit after taxation | - | - | - | - | - | 2,076,616 | 2,076,616 |
| Other comprehensive loss - net of tax | - | - | - | - | (17) | (37,044) | (37,061) |
| | - | - | - | - | (17) | 2,039,572 | 2,039,555 |
| Transaction with owners recorded directly in equity | | | | | | | |
| Preference dividend for the year ended December 31, 2015 @ 12% p.a | - | - | - | - | - | (180,000) | (180,000) |
| Transfers | | | | | | | |
| Transfer to statutory reserve | - | - | - | 415,323 | - | (415,323) | - |
| Balance as at December 31, 2016 | 10,724,643 | (2,105,401) | 1,500,000 | 1,334,139 | (17) | 3,973,341 | 15,426,705 |
| Total comprehensive income for the year ended December 31, 2017 | | | | | | | |
| Profit after taxation | - | - | - | - | - | 973,149 | 973,149 |
| Other comprehensive income / (loss) - net of tax | - | - | - | - | 12,236 | (55,602) | (43,366) |
| | - | - | - | - | 12,236 | 917,547 | 929,783 |
| Transfer from surplus on revaluation of operating fixed assets (note 6.8.2) | - | - | - | - | - | 2,348 | 2,348 |
| Transfer from surplus on revaluation of non-banking assets to unappropriated profit - net of tax | - | - | - | - | - | 214 | 214 |
| Transaction with owners recorded directly in equity | | | | | | | |
| Preference dividend for the year ended December 31, 2016 @ 12% p.a | - | - | - | - | - | (180,000) | (180,000) |
| Transfers | | | | | | | |
| Transfer to statutory reserve | - | - | - | 194,630 | - | (194,630) | - |
| Balance as at December 31, 2017 | 10,724,643 | (2,105,401) | 1,500,000 | 1,528,769 | 12,219 | 4,518,820 | 16,179,050 |

* This represents reserve created under Section 21(i)(a) of the Banking Companies Ordinance, 1962.

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

Chairman

President and
Chief Executive Officer

Director

Director

Chief Financial Officer

Unconsolidated Cash Flow Statement

For the year ended December 31, 2017

| 2017 | 2016 | | Note | 2017 | 2016 |
|---|-----------|--|------|----------------------------|--------------|
| -- US Dollars in '000 -- | | | | ----- Rupees in '000 ----- | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| 14,675 | 30,700 | Profit before taxation | | 1,620,564 | 3,389,936 |
| (1,511) | (885) | Less: Dividend income | | (166,858) | (97,703) |
| 13,164 | 29,815 | | | 1,453,706 | 3,292,233 |
| Adjustments for non-cash items: | | | | | |
| 5,305 | 4,668 | Depreciation | 12.2 | 585,785 | 515,479 |
| 12 | 10 | Depreciation on non-banking assets | 13.4 | 1,300 | 1,122 |
| 548 | 446 | Amortisation of intangible assets | 12.3 | 60,556 | 49,297 |
| 811 | 555 | Charge for defined benefit plan | 35.5 | 89,576 | 61,317 |
| 23 | 12 | Unrealised loss on revaluation of investments classified as held-for-trading - net | 10.5 | 2,488 | 1,297 |
| 1,837 | (577) | Provision / (reversal) against non-performing advances - net | 11.4 | 202,814 | (63,687) |
| 1,114 | 3,759 | Provision for diminution in value of investments - net | 10.4 | 123,031 | 415,027 |
| 406 | - | Other provisions / write offs | 13.7 | 44,806 | - |
| 294 | 614 | Provision for Sindh Workers' Welfare Fund | 30 | 32,411 | 67,799 |
| (598) | (172) | Unrealised gain on revaluation of derivative instruments | 28 | (66,026) | (19,026) |
| - | (1) | Gain on recovery of non banking assets | | - | (152) |
| (683) | (361) | Gain on sale of operating fixed assets | 28 | (75,441) | (39,864) |
| 9,069 | 8,953 | | | 1,001,300 | 988,609 |
| 22,233 | 38,768 | | | 2,455,006 | 4,280,842 |
| (Increase) / decrease in operating assets | | | | | |
| 74,429 | (70,216) | lendings to financial institutions | | 8,218,215 | (7,753,085) |
| 518,822 | (391,442) | Held-for-trading securities | | 57,286,846 | (43,221,891) |
| (820,056) | (154,544) | Advances | | (90,548,262) | (17,064,267) |
| (20,472) | 18,703 | Other assets (excluding advance taxation) | | (2,260,442) | 2,065,101 |
| (247,277) | (597,499) | | | (27,303,643) | (65,974,142) |
| Increase / (decrease) in operating liabilities | | | | | |
| 11,595 | 8,464 | Bills payable | | 1,280,250 | 934,603 |
| 489,765 | (401,243) | Borrowings | | 54,078,528 | (44,304,114) |
| 579,426 | 763,092 | Deposits | | 63,978,635 | 84,258,444 |
| 18,102 | 27,170 | Sub-ordinated loans | | 1,998,800 | 3,000,000 |
| 22,454 | 18,615 | Other liabilities | | 2,479,262 | 2,055,387 |
| 1,121,342 | 416,098 | | | 123,815,475 | 45,944,320 |
| 874,065 | (181,401) | | | 96,511,832 | (20,029,822) |
| (1,071) | (580) | Gratuity paid | | (118,308) | (64,005) |
| (4,937) | (8,675) | Income tax paid | | (545,087) | (957,880) |
| 890,290 | (151,888) | | | 98,303,443 | (16,770,865) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| (487,013) | 209,846 | Net investment in available-for-sale securities | | (53,774,616) | 23,170,627 |
| (374,928) | - | Net investment in held-to-maturity securities | | (41,398,485) | - |
| 1,511 | 885 | Dividend income received | | 166,858 | 97,703 |
| (11,681) | (16,758) | Investments in operating fixed assets | | (1,289,829) | (1,850,378) |
| - | 33 | Proceeds from sale of non-banking assets | | - | 3,653 |
| 981 | 561 | Proceeds from sale of operating fixed assets | | 108,301 | 61,956 |
| (871,130) | 194,567 | Net cash flows (used in) / from investing activities | | (96,187,771) | 21,483,561 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| (1,630) | (1,630) | Dividend paid on preference shares | | (180,000) | (180,000) |
| (1,630) | (1,630) | Net cash flows used in financing activities | | (180,000) | (180,000) |
| 111 | - | Effect of translation of net investment in foreign branches | | 12,236 | (17) |
| 17,641 | 41,049 | Increase in cash and cash equivalents | | 1,947,908 | 4,532,679 |
| 146,905 | 105,856 | Cash and cash equivalents at beginning of the year | | 16,221,150 | 11,688,471 |
| 164,546 | 146,905 | Cash and cash equivalents at end of the year | 33 | 18,169,058 | 16,221,150 |

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

Chairman

President and
Chief Executive Officer

Director

Director

Chief Financial Officer

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

1. STATUS AND NATURE OF BUSINESS

- 1.1 JS Bank Limited (the Bank/JSBL), incorporated in Pakistan, is a scheduled bank, engaged in commercial banking and related services. The Bank's ordinary shares are listed on Pakistan Stock Exchange Limited (PSX). The Bank is a subsidiary of Jahangir Siddiqui & Co. Ltd. (JSCL). The registered office of the Bank is situated at Shaheen Commercial Complex, Dr. Ziauddin Ahmed Road, Karachi.

The Bank operates with 322 (December 31, 2016: 306) branches / sub-branches in Pakistan and one wholesale banking branch in Bahrain (December 31, 2016: one). The Pakistan Credit Rating Agency Limited (PACRA) has assigned the long-term entity rating of the Bank to 'AA-' (Double A Minus) whereas short-term rating is maintained at 'A1+' (A One Plus), which is the highest possible short-term rating. The ratings denote a very low expectation of credit risk and indicate very strong capacity for timely payment of financial commitments.

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

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

2. BASIS OF PRESENTATION

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

- 2.2 These unconsolidated financial statements have been prepared on the format prescribed by SBP vide BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial statements' effective from the accounting year ended December 31, 2006. The SBP vide BPRD circular no. 2 dated January 25, 2018 has specified the new reporting format for the financial statements of banking companies. The new format has revised the disclosure requirements and will become applicable for the financial statements of the Bank for the year ending December 31, 2018.

- 2.3 The US Dollar amounts shown on the statement of financial position, profit and loss account, statement of comprehensive income and cash flow statement are stated as additional information solely for the convenience of readers and have not been subject to audit by the external auditors. For the purpose of conversion to US Dollars, the rate of Rs.110.4172 to 1 US Dollar has been used for 2017 and 2016 as it was the prevalent rate as on December 31, 2017.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

3. BASIS OF MEASUREMENT

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

4. STATEMENT OF COMPLIANCE

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

4.2 Effective May 30, 2017, the Companies Act, 2017 (the Act) has been promulgated, however, the Securities and Exchange Commission of Pakistan (SECP) vide its circular No. 23 of 2017 dated October 04, 2017 decided that the companies whose financial year closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.

Currently, the Bank is assessing the impact of the requirements of the Companies Act, 2017, on the financial statements for the future periods in terms of accounting as well as disclosure requirements.

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

4.4 IFRS 8, 'Operating Segments' is effective for the Bank's accounting period beginning on or after January 01, 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. The management of the Bank believes that as the SBP has defined the segment categorization in the above mentioned circular, the SBP's requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these financial statements is based on the requirements laid down by the SBP.

4.5 IFRS10 "Consolidated Financial Statements" was made applicable from period beginning on or after January 01, 2015 vide S.R.O 633(I)/2014 dated July 10, 2014 by SECP. However, SECP has directed that the requirements of consolidation under section 237 of the Companies Ordinance 1984 and IFRS-10 "Consolidated Financial Statements" are not applicable in case of investment by companies in mutual funds established under trust structure, through S.R.O 56(I) /2016 dated January 28, 2016. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

- 4.6 The Bank has adopted the following accounting standards, amendments and interpretations of IFRSs which became effective for the current year:

Standard or Interpretation

IAS 7 Statement of Cash Flow - Disclose Initiative - (Amendments)

IAS 12 Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)

Improvements to Accounting Standards Issued by the IASB

IFRS 12 Disclosure of Interests in Other Entities -
Clarification of the scope of the disclosure requirements in IFRS 12

The adoption of the above amendments, improvements to accounting standards and interpretations did not have any effect on the financial statements.

- 4.6.1 The Bank has changed its accounting policy for fixed assets as referred in note 6.8.2.

4.6.2 New accounting standards / amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

| Standard or Interpretation | Effective date (annual periods beginning on or after) |
|--|---|
| IFRS 2 – Share-based Payments – Classification and Measurement of Share-based Payments Transactions – (Amendments) | January 01, 2018 |
| IFRS 10 – Consolidated Financial Statements and IAS 28 – Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – (Amendment) | Not yet finalized |
| IFRS 15 – Revenue from Contracts with Customers | July 01, 2018 |
| IFRIC Interpretation 22 – Foreign Currency Transactions and Advance Consideration | January 01, 2018 |
| IFRIC 23 – Uncertainty over Income Tax Treatments | January 01, 2019 |

The above standards, amendments and interpretations are not expected to have any material impact on the Bank's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016. Such improvements are generally effective for accounting periods beginning on or after January 01, 2018 and January 01, 2019. The Bank expects that such improvements to the standards will not have any impact on the Bank's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

| Standard | IASB Effective date (annual periods beginning on or after) |
|--|--|
| IFRS 14 – Regulatory Deferral Accounts | January 01, 2016 |
| IFRS 16 – Leases | January 01, 2019 |
| IFRS 17 – Insurance Contracts | January 01, 2021 |

5. CRITICAL ACCOUNTING ESTIMATES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

i) Classification of investments

- In classifying investments as 'held-for-trading' the Bank has determined securities which are acquired with an intention to trade by taking advantage of short-term market / interest rate movements and are to be sold within 90 days of acquisition.
- In classifying investments as 'held-to-maturity' the Bank follows the guidance provided in SBP circulars on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Bank evaluates its intention and ability to hold such investments to maturity.
- The investments which are not classified as 'held-for-trading' or 'held-to-maturity' are classified as 'available-for-sale'.

ii) Provision against non performing loans and advances

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

iii) Impairment on investments

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

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

iv) Income taxes

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

v) Fair value of derivatives

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

vi) Depreciation and amortisation of operating fixed assets

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

vii) Defined benefits plans and other benefits

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

viii) Impairment of investment in subsidiaries

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

ix) Impairment of Goodwill

Impairment testing involves a number of judgmental areas which are subject to inherent significant uncertainty, including the preparation of cash flow forecasts for periods that are beyond the normal requirements of management reporting and the assessment of the discount rate appropriate to the business. The carrying amount of goodwill at the balance sheet date was Rs.1,464 million. The detailed assumptions underlying impairment testing of goodwill are given in note 12.3.2 to these unconsolidated financial statements.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6.1 Cash and cash equivalents

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

6.2 Lendings to / borrowings from financial institutions

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

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

(a) Sale under repurchase obligation

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

(b) Other lendings

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

(c) Purchase under resale obligation

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

(d) Other borrowings

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

6.3 Investments

6.3.1 Initial recognition and measurement

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

(a) Held-for-trading

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

(b) Held-to-maturity

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

(c) Available-for-sale

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

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

(d) Associates

Associate is an entity over which the Bank has significant influence but not control. Investment in associate is carried at cost less accumulated impairment losses, if any.

(e) Subsidiaries

Subsidiary is an entity over which the Bank has control. Investment in subsidiary is carried at cost less accumulated impairment losses, if any.

(f) Regular way contracts

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.

(g) Premium or discount on acquisition of investments

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

6.3.2 Subsequent measurement

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

Further, in accordance with the requirements of the SBP, gain or loss on revaluation of the Bank's held-for-trading investments is taken to the profit and loss account. In case of investments classified as available-for-sale, surplus or deficit is taken directly to equity. The surplus or deficit arising on these securities is taken to the profit and loss account when actually realised upon disposal.

Unquoted equity securities, excluding investment in subsidiaries and associates are valued at lower of cost and the break-up value in accordance with the requirements of the Prudential Regulations issued by the SBP. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investment in subsidiaries and associates are carried at cost, less accumulated impairment losses, if any.

6.3.3 Impairment / diminution in the value of securities

Impairment loss in respect of quoted equity securities classified as available for sale, associates, subsidiaries and held to maturity is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. Objective evidence that the cost may not be recovered, in addition to qualitative impairment criteria, includes a significant or prolonged decline in the fair value below average cost. A decline to be considered as:

- Significant if the fair value is below the weighted average cost by more than 30 percent.
- Prolonged if the fair value is below the weighted average cost for a period of more than one year.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

(a) Available-for-sale

If an available-for-sale of equity security is impaired, the cumulative loss that had been recognised in equity, shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised, any further declines in the fair value at subsequent reporting dates are recognised as impairments. Therefore, at each reporting period, for an equity security that was determined to be impaired, additional impairments are recognised for the difference between the fair value and the original cost basis, less any previously recognised impairment.

If, in subsequent period, impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale shall not be reversed through profit or loss except in case of derecognition.

(b) Held to maturity, Subsidiaries and Associates

Impairment losses are incurred if, and only if, there is objective evidence of impairment after initial recognition of the investment. The impairment loss is recognised in the profit and loss account. If, in a subsequent period, any indication that an impairment loss recognised in prior periods no longer exist or may have decreased, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

(c) Debt Securities

PTCs, TFCs, Sukuk and other debt securities will be classified on the valuation date on the basis of default in their repayment in line with the criteria prescribed for classification of medium and long-term facilities in accordance with the requirements of the Prudential Regulations issued by the SBP.

6.4 Financial instruments

6.4.1 Financial assets and financial liabilities

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

6.4.2 Derivative financial instruments

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

6.5 Off-setting of financial assets and financial liabilities

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

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

6.6 Advances

6.6.1 Loan and advances

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

6.6.2 Finance lease receivables

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

6.7 Non-banking assets acquired in satisfaction of claims

6.7.1 Non-banking assets acquired in satisfaction of claims under Debt Property Swap (DPS) transactions, against the loans in category of loss, are carried at the revalued amounts, being the fair value at the date of revaluation less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

All direct cost including legal fees, valuation and transfer costs of acquiring title to property shall be expensed when incurred through profit and loss account.

Subsequent costs are included in the asset's carrying amounts only when it is probable that future benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other subsequent costs including repair and maintenance are charged to the profit and loss account as and when incurred.

6.7.2 Surplus / deficit on revaluation of non banking assets

The surplus arising on revaluation of non-banking assets is credited to the "Surplus on Revaluation of Fixed Assets Account" shown below equity in the statement of financial position in accordance with the requirements of section 235 of the repealed Companies Ordinance 1984. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit and loss account.

The deficit as a result of a revaluation is recognised in profit and loss account. However, the decrease to be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Furthermore, revaluation surplus on such assets shall not be admissible for calculating Bank's Capital Adequacy Ratio (CAR) and exposure limits under the Prudential Regulations. However, the surplus can be adjusted upon realization of sale proceeds.

The Bank has adopted the following accounting treatment for depreciation on revalued assets, keeping in view the requirements of the repealed Companies Ordinance, 1984 and SECP's SRO 45(1)/2003 dated January 13, 2003.

Depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account; and

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

An amount equal to incremental depreciation for the year net of deferred taxation is transferred from “Surplus on Revaluation of Fixed Assets account” to unappropriated profit through statement of changes in equity to record realization of surplus to the extent of the incremental depreciation charge for the year.

6.7.3 Gains or losses on disposal of assets are included in the profit and loss account currently, except that the related surplus on revaluation of fixed assets (net of deferred tax) is transferred directly to equity.

6.8 Operating fixed assets and depreciation

6.8.1 Property and equipment

Operating fixed assets except office premises are shown at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Office premises (which includes leasehold land and buildings) are stated at revalued amount less accumulated depreciation.

Depreciation is calculated and charged to profit and loss account using the straight-line method so as to write down the cost of the assets to their residual values over their estimated useful lives at the rates given in note 12.2. A full month's depreciation is charged from the month in which assets are brought into use and no depreciation is charged for the month in which the disposal is made. The residual values, useful lives and depreciation methods are reviewed and changes, if any, are treated as change in accounting estimates, annually.

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

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

6.8.2 Surplus / deficit on revaluation of operating fixed assets

During the year, the Bank changed its accounting policy from cost model to revaluation model in respect of leasehold land and building. With effect from the current year, these are carried at revalued amounts, being fair value at the date of revaluation less accumulated depreciation and accumulated impairment losses.

The Bank has carried out the revaluation exercise by an independent valuator, which has resulted in surplus on land and buildings of Rs.124.654 million and Rs.540.358 million over their existing written down values of Rs.964.306 million and Rs.823.554 million, respectively.

The fair values were determined with reference to market based evidence, based on active market prices and relevant enquiries and information as considered necessary, and adjusted for any difference in nature, location or condition of the specific properties. Management takes the view that this policy provides reliable and more relevant information because it deals more accurately with the components of property and is based on up-to-date values.

Had there been no revaluation, the carrying value of leasehold land and building would have been lower by Rs.124.654 million and Rs.536.745 million respectively, and net surplus on revaluation of fixed assets, deferred tax liability and incremental depreciation would have been lower by Rs.473.538 million, Rs.187.861 million and Rs.3.613 million respectively.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

The surplus arising on revaluation of operating assets is credited to the “Surplus on Revaluation of Fixed Assets Account” shown below equity in the statement of financial position in accordance with the requirements of section 235 of the repealed Companies Ordinance, 1984. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit and loss account.

The deficit as a result of a revaluation is recognised in profit and loss account. However, the decrease to be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The said section was amended through the Companies (Amendment) Ordinance, 2002 and, accordingly, the Bank has adopted the following accounting treatment of depreciation on revalued assets, keeping in view the Securities and Exchange Commission of Pakistan’s (SECP) SRO 45(1)/2003 dated January 13, 2003:

Depreciation on buildings which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account; and an amount equal to incremental depreciation for the year net of deferred taxation is transferred from “Surplus on Revaluation of Fixed Assets Account” to unappropriated profit through Statement of Changes in Equity to record realization of surplus to the extent of the incremental depreciation charge for the year.

Intangible assets

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

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

Capital work-in-progress

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

6.9 Impairment

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

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

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

6.10 Taxation

Current

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

Deferred

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

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

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

6.11 Provisions

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

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

6.12 Staff retirement benefits

Defined contribution plan

The Bank has established a provident fund scheme for all permanent employees effective from January 01, 2007. Equal monthly contributions are made, both by the Bank and the employees, to the fund at the rate of 10 percent of basic salary which has been revised to 7.1 percent with effect from July 01, 2015 due to change in salary structure. Contribution by the Bank is charged to profit and loss account.

Defined benefit plan

The Bank operates an approved funded gratuity scheme covering all its eligible employees who have completed minimum qualifying period. An actuarial valuation of defined benefit scheme is conducted at the end of every year or on occurrence of any significant change. The most recent valuation in this regard was carried out as at December 31, 2017, using the projected unit credit actuarial valuation method. Under this method cost of providing for gratuity is charged to profit and loss account so as to spread the cost over the service lives of the employees in accordance with the actuarial valuation. Past-service costs are recognised immediately in profit and loss account and actuarial gains and losses are recognised immediately in other comprehensive income.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

6.13 Revenue recognition

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

- Mark-up / return / interest income on loans and advances and investments is recognised on accrual basis using effective interest method. Mark-up / return / interest income on non-performing loans and advances and investments is recognised on receipt basis.
- "Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease.

Gains / losses on termination of lease contracts, documentation charges, front-end fees and other lease income are recognized as income on receipt basis.
- Commission is recognised as income at the time of affecting the transaction to which it relates. Fees are recognised when earned.
- Dividend income is recognised when the right to receive the dividend is established.

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.

Foreign operations

The assets and liabilities of foreign branches are translated to Rupees at exchange rates prevailing at the balance sheet date. The results of foreign operations are translated to Rupees at the average rate of exchange for the year.

Translation gains and losses

Translation gains and losses are included in the profit and loss account except those arising on the translation of the Bank's net investment in foreign branches which are taken to exchange translation reserve in the statement of comprehensive income until the disposal of the net investment, at which time these are recognised in the profit and loss account.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

Commitments

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

6.16 Goodwill

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

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

6.17 Earnings per share

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

6.18 Borrowings / deposits and their cost

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

6.19 Segment reporting

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

6.19.1 Business segments

Corporate finance

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

Trading and sales

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

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

Retail banking

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

Commercial banking

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

Payment and settlement

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

6.19.2 Geographical segment

The Bank operates with 322 (December 31, 2016: 306) branches / sub-branches in Pakistan region and one wholesale banking branch in Bahrain (December 31, 2016: one).

6.20 Fiduciary assets

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

| | Note | 2017 ----- Rupees in '000 ----- | 2016 ----- |
|---|------|------------------------------------|---------------|
| 7. CASH AND BALANCES WITH TREASURY BANKS | | | |
| In hand | | | |
| Local currency | | 4,067,249 | 2,877,681 |
| Foreign currencies | | 659,116 | 625,326 |
| | | 4,726,365 | 3,503,007 |
| With State Bank of Pakistan in: | | | |
| Local currency current account | 7.1 | 8,594,102 | 8,536,187 |
| Foreign currency current account - non remunerative | 7.2 | 615,576 | 449,774 |
| Foreign currency deposit account - remunerative | 7.3 | 1,890,381 | 1,385,332 |
| | | 11,100,059 | 10,371,293 |
| With National Bank of Pakistan in: | | | |
| Local currency current accounts | | 1,506,393 | 1,628,057 |
| National Prize Bonds | | 971 | 6,611 |
| | | 17,333,788 | 15,508,968 |

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

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

7.3 This represents deposit accounts maintained with SBP under the requirements of BSD Circular No. 14 dated June 21, 2008 and mandatory reserve maintained to facilitate collection and settlement of foreign currency accounts under FE-25, as prescribed by the SBP. Profit rates on this deposit account are fixed on a monthly basis by the SBP. It carries profit of 0% (2016: 0%) per annum.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

| | Note | 2017 ----- Rupees in '000 ----- | 2016 |
|-------------------------------------|------|------------------------------------|----------------|
| 8. BALANCES WITH OTHER BANKS | | | |
| In Pakistan | | | |
| On current accounts | | 65,187 | 216,262 |
| On deposit accounts | | 68 | 67 |
| | | <u>65,255</u> | <u>216,329</u> |
| Outside Pakistan | | | |
| On current accounts | | 780,092 | 295,022 |
| On deposit accounts | 8.1 | 188,919 | 241,359 |
| | | <u>969,011</u> | <u>536,381</u> |
| | | <u>1,034,266</u> | <u>752,710</u> |

8.1 This represents deposit accounts / term placements outside Pakistan, carrying mark-up rate ranging between 0% to 1% p.a (2016: 0%).

| | Note | 2017 ----- Rupees in '000 ----- | 2016 |
|--|-----------|------------------------------------|-------------------|
| 9. LENDINGS TO FINANCIAL INSTITUTIONS | | | |
| Call money lendings | 9.2 | 3,003,443 | 2,634,489 |
| Due against bills re-discounting | 9.3 | 112,756 | - |
| Repurchase agreement lendings (Reverse Repo) | 9.4 & 9.5 | - | 8,699,925 |
| | | <u>3,116,199</u> | <u>11,334,414</u> |
| 9.1 Particulars of lendings | | | |
| In local currency | | - | 10,549,925 |
| In foreign currency | | 3,116,199 | 784,489 |
| | | <u>3,116,199</u> | <u>11,334,414</u> |

9.2 These represent unsecured call money lendings to financial institutions carrying interest at the rates ranging from 1.38% to 6.93% (2016: 0.17% to 6.00%) per annum. These will mature between January 02, 2018 and June 07, 2018 (January 03, 2017 and April 19, 2017).

9.3 This represents the obligation of the foreign corresponding banks on the discounting of foreign documentary bills purchased by the Bank on discount. These will mature between January 02, 2018 and June 18, 2018 (2016: Nil) and carry interest at the rates ranging from 3.75% to 4.29% per annum.

9.4 These are secured short-term lendings to various financial institutions, carrying mark-up rate Nil (2016: 5.8% to 6.1%) per annum. These are collateralized by Market Treasury Bills and Pakistan Investment Bonds as shown in note 9.5 below.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

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

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

| | 2017 | | | 2016 | | |
|---------------------------|----------------------------|-----------------------------|-------|--------------|-----------------------------|-----------|
| | Held by bank | Further given as collateral | Total | Held by bank | Further given as collateral | Total |
| | ----- Rupees in '000 ----- | | | | | |
| Market Treasury Bills | - | - | - | 5,969,925 | - | 5,969,925 |
| Pakistan Investment Bonds | - | - | - | 2,730,000 | - | 2,730,000 |
| | - | - | - | 8,699,925 | - | 8,699,925 |

9.5.1 The market value of securities held as collateral against lendings to financial institutions amounted to Rs.Nil (2016: Rs.8,811.414 million).

| | 2017 | | | 2016 | | |
|--|----------------------------|---------------------|-------|--------------|---------------------|-------|
| | Held by bank | Given as collateral | Total | Held by bank | Given as collateral | Total |
| | ----- Rupees in '000 ----- | | | | | |

10. INVESTMENTS - net

10.1 Investments by type

Held-for-trading securities

| | | | | | | |
|---------------------------|-----------|---------|-----------|------------|-----------|------------|
| Market treasury bills | 6,835,735 | 926,032 | 7,761,767 | 64,346,568 | 1,413,214 | 65,759,782 |
| Pakistan investment bonds | 709,872 | - | 709,872 | - | - | - |
| | 7,545,607 | 926,032 | 8,471,639 | 64,346,568 | 1,413,214 | 65,759,782 |

Available-for-sale securities

| | | | | | | |
|---------------------------------------|------------|------------|-------------|------------|---|------------|
| Market treasury bills | 11,501,193 | 2,991,504 | 14,492,697 | 4,885,943 | - | 4,885,943 |
| Pakistan investment bonds | 54,600,373 | 39,372,049 | 93,972,422 | 49,784,339 | - | 49,784,339 |
| Ordinary shares of listed companies | 3,681,463 | - | 3,681,463 | 2,626,343 | - | 2,626,343 |
| Ordinary shares of unlisted companies | 13,406 | - | 13,406 | 553,191 | - | 553,191 |
| Preference shares of listed companies | 136,589 | - | 136,589 | 136,589 | - | 136,589 |
| Term finance certificates - listed | 182,322 | - | 182,322 | 182,322 | - | 182,322 |
| Term finance certificates - unlisted | 575,596 | - | 575,596 | 911,869 | - | 911,869 |
| Sukuk certificates - unlisted | 1,631,000 | - | 1,631,000 | 360,000 | - | 360,000 |
| Open end mutual funds | - | - | - | 100,000 | - | 100,000 |
| Foreign currency bonds | 1,899,702 | 2,431,932 | 4,331,634 | 5,701,917 | - | 5,701,917 |
| | 74,221,644 | 44,795,485 | 119,017,129 | 65,242,513 | - | 65,242,513 |

Held-to-maturity securities

| | | | | | | |
|---------------------------|------------|---|------------|---|---|---|
| Pakistan investment bonds | 41,398,485 | - | 41,398,485 | - | - | - |
|---------------------------|------------|---|------------|---|---|---|

Investment in subsidiaries

| | | | | | | |
|--|-----------|---|-----------|-----------|---|-----------|
| | 1,919,121 | - | 1,919,121 | 1,919,121 | - | 1,919,121 |
|--|-----------|---|-----------|-----------|---|-----------|

| | | | | | | |
|----------------------------------|--------------------|-------------------|--------------------|--------------------|------------------|--------------------|
| Total investments at cost | 125,084,857 | 45,721,517 | 170,806,374 | 131,508,202 | 1,413,214 | 132,921,416 |
|----------------------------------|--------------------|-------------------|--------------------|--------------------|------------------|--------------------|

| | | | | | | |
|--|-------------|---|-------------|-----------|---|-----------|
| Less: Provision for diminution in value of investments | (1,071,851) | - | (1,071,851) | (948,820) | - | (948,820) |
|--|-------------|---|-------------|-----------|---|-----------|

| | | | | | | |
|---------------------------------------|--------------------|-------------------|--------------------|--------------------|------------------|--------------------|
| Investments (net of provision) | 124,013,006 | 45,721,517 | 169,734,523 | 130,559,382 | 1,413,214 | 131,972,596 |
|---------------------------------------|--------------------|-------------------|--------------------|--------------------|------------------|--------------------|

| | | | | | | |
|---|---------|------|---------|---------|------|---------|
| Unrealised loss on revaluation of investments classified as held-for-trading securities | (2,474) | (14) | (2,488) | (1,261) | (36) | (1,297) |
|---|---------|------|---------|---------|------|---------|

| | | | | | | |
|---|--------|-----------|-----------|-----------|---|-----------|
| Surplus / (deficit) on revaluation of available-for-sale securities | 75,006 | (195,483) | (120,477) | 1,755,311 | - | 1,755,311 |
|---|--------|-----------|-----------|-----------|---|-----------|

| | | | | | | |
|--|--------------------|-------------------|--------------------|--------------------|------------------|--------------------|
| Total investments at market value | 124,085,538 | 45,526,020 | 169,611,558 | 132,313,432 | 1,413,178 | 133,726,610 |
|--|--------------------|-------------------|--------------------|--------------------|------------------|--------------------|

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

| 10.2 Investments by segments | Note | 2017 | 2016 |
|---|---------|----------------------------|--------------------|
| | | ----- Rupees in '000 ----- | |
| Federal government securities | | | |
| Market treasury bills | 10.2.1 | 22,254,464 | 70,645,725 |
| Pakistan investment bonds | 10.2.1 | 136,080,779 | 49,784,339 |
| | | 158,335,243 | 120,430,064 |
| Fully paid ordinary shares | | | |
| Listed companies | 10.2.2 | 3,681,463 | 2,626,343 |
| Unlisted companies | 10.2.3 | 13,406 | 553,191 |
| | | 3,694,869 | 3,179,534 |
| Fully paid preference shares | | | |
| Listed companies | 10.2.4 | 136,589 | 136,589 |
| Term finance and sukuk certificates | | | |
| Term finance certificates – listed | 10.2.5 | 182,322 | 182,322 |
| Term finance certificates – unlisted | 10.2.6 | 575,596 | 911,869 |
| Sukuk certificates – unlisted | 10.2.7 | 1,631,000 | 360,000 |
| | | 2,388,918 | 1,454,191 |
| Mutual funds | | | |
| Open end mutual funds | 10.2.8 | - | 100,000 |
| Others | | | |
| Foreign currency bonds | 10.2.9 | 4,331,634 | 5,701,917 |
| Investment in subsidiaries | 10.2.10 | 1,919,121 | 1,919,121 |
| Total investments at cost | | 170,806,374 | 132,921,416 |
| Less: Provision for diminution in value of investments | 10.4 | (1,071,851) | (948,820) |
| Investments (net of provision) | | 169,734,523 | 131,972,596 |
| Unrealized loss on revaluation of held-for-trading securities | 10.4.2 | (2,488) | (1,297) |
| (Deficit) / surplus on revaluation of available-for-sale securities | 22.1 | (120,477) | 1,755,311 |
| Total investments at market value | | 169,611,558 | 133,726,610 |

10.2.1 Details of investment in Federal Government Securities

| | Market value | | | | | |
|--------------------------------------|----------------------------|---------------------|--------------------|--------------------|---------------------|--------------------|
| | 2017 | | | 2016 | | |
| | Held by bank | Given as collateral | Total | Held by bank | Given as collateral | Total |
| | ----- Rupees in '000 ----- | | | | | |
| Held-for-trading securities | | | | | | |
| Market treasury bills | 6,835,535 | 926,018 | 7,761,553 | 64,345,307 | 1,413,178 | 65,758,485 |
| Pakistan investment bonds | 707,598 | - | 707,598 | - | - | - |
| | 7,543,133 | 926,018 | 8,469,151 | 64,345,307 | 1,413,178 | 65,758,485 |
| Available-for-sale securities | | | | | | |
| Market treasury bills | 11,501,067 | 2,991,645 | 14,492,712 | 4,884,060 | - | 4,884,060 |
| Pakistan investment bonds | 54,278,753 | 39,151,006 | 93,429,759 | 49,834,951 | - | 49,834,951 |
| | 65,779,820 | 42,142,651 | 107,922,471 | 54,719,011 | - | 54,719,011 |
| Held-to-maturity securities | | | | | | |
| Pakistan investment bonds * | 41,033,889 | - | 41,033,889 | - | - | - |
| | 114,356,842 | 43,068,669 | 157,425,511 | 119,064,318 | 1,413,178 | 120,477,496 |

* These are carried at amortised cost in these unconsolidated financial statements.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

10.2.1.1 Principal terms of investment in Federal Government Securities

| Name of investment | Maturity | Redemption | Coupon |
|---------------------------|-------------------------------------|-------------|-------------|
| Market treasury bills | January 04, 2018 to August 30, 2018 | On maturity | On maturity |
| Pakistan investment bonds | March 26, 2018 to December 29, 2026 | On maturity | Half yearly |

10.2.1.2 Market Treasury Bills are for the periods of three months, six months and one year. The effective rates of profit on Market Treasury Bills range from 5.91% to 6.10% per annum (2016: 5.85% to 6.23% per annum) with maturities between January 04, 2018 and August 30, 2018 (2016: January 05, 2017 and November 23, 2017).

10.2.1.3 Pakistan Investment Bonds (PIBs) are for the periods of three, five, seven, ten and fifteen years. The rates of profit ranging from 6.02% to 10.42% per annum (2016: 6.08% to 10.42% per annum) with maturities between March 26, 2018 and December 29, 2026 (2016: July 17, 2017 to April 21, 2026).

10.2.2 Details of investment in ordinary shares of listed companies

| Name of the company | Shares of Rs.10 each | | Rating | | Cost | | Market value | |
|---|----------------------|------------|---------|---------|----------------------------|------------------|------------------|------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | ----- Numbers ----- | | | | ----- Rupees in '000 ----- | | | |
| - National Foods Limited | 265,900 | 68,800 | AA- | AA- | 95,885 | 24,990 | 86,194 | 25,800 |
| - Amreli Steels Limited | 761,200 | 3,000,000 | A | A | 71,244 | 214,269 | 70,533 | 199,770 |
| - Fauji Fertilizer Company Limited | 2,510,100 | - | AA | - | 246,261 | - | 198,574 | - |
| - D.G. Khan Cement Limited (note 10.2.2.1) | 1,759,500 | - | Unrated | - | 424,293 | - | 235,280 | - |
| - Shifa International Hospitals | 118,700 | - | Unrated | - | 35,720 | - | 35,610 | - |
| - Pakistan State Oil Limited | 1,125,360 | - | AA | - | 433,401 | - | 329,854 | - |
| - Power Cement Limited (note 10.2.2.1) | 33,602,500 | - | A- | - | 611,078 | - | 293,686 | - |
| - IGI Insurance Limited | - | 2,407,100 | - | AA | - | 572,524 | - | 741,122 |
| Investment in related parties | | | | | | | | |
| - EFU General Insurance Limited | 3,943,875 | 3,943,875 | AA+ | AA+ | 488,978 | 488,978 | 603,018 | 595,525 |
| - EFU Life Assurance Limited | 982,000 | 982,000 | AA+ | AA+ | 190,595 | 190,595 | 248,927 | 211,592 |
| - Sitara Chemical Industries Limited | 1,651,250 | 1,896,400 | A+ | A+ | 493,697 | 544,676 | 496,993 | 1,099,912 |
| - TRG Pakistan Limited | 32,023,760 | 32,023,760 | Unrated | Unrated | 590,311 | 590,311 | 947,903 | 1,417,372 |
| | | | | | <u>3,681,463</u> | <u>2,626,343</u> | <u>3,546,572</u> | <u>4,291,093</u> |

10.2.2.1 During the year, the Bank has recognized impairment loss on D.G.Khan Cement Limited and Power Cement Limited by Rs. 189.013 million and 317.392 million respectively due to significant / prolong decline in the fair value of these securities.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

10.2.3 Details of investment in ordinary shares of unlisted companies

| Name of the company | Note | Name of Chief Executive / Managing Director | Break-up value per share | | Number of shares | | Cost / break- up value | |
|--|----------|--|-----------------------------|---------|-----------------------------|------------|------------------------------------|---------|
| | | | 2017 ----- Rupees ----- | 2016 | 2017 ----- Numbers ----- | 2016 | 2017 ----- Rupees in '000 ----- | 2016 |
| - ISE Towers REIT Management Limited (formerly Islamabad Stock Exchange Limited) | 10.2.3.1 | Mr. Aftab Ahmad Chaudhry | 11.76 | * 11.67 | 1,213,841 | 1,213,841 | 11,000 | 11,000 |
| - Society for Worldwide Interbank Financial Telecommunication (SWIFT) | 10.2.3.2 | Mr. Gottfried Leibbrandt | **495,821 | 387,225 | 6 | 6 | 2,406 | 2,406 |
| - AGP Limited (formerly Appollo Pharma Limited) | 10.4 | Mr. Nusrat Munshi | - | 14.05 | - | 13,400,000 | - | 539,785 |
| | | | | | | | 13,406 | 553,191 |

* Based on unaudited accounts as of June 30, 2017

** Based on audited accounts as of December 31, 2016

10.2.3.1 In accordance with the requirements of the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 (the Act), the Bank has received 3,034,603 shares of Rs.10 each including trading right entitlement certificate (TREC) of the Islamabad Stock Exchange (ISE), in lieu of its Membership Card held by the Bank. Further, upon integration of Islamabad Stock Exchange under the "ISE Scheme of Integration" in 2016 TRE Certificates holders of ISE have been issued 1,213,841 shares of "ISE Towers REIT Management Limited".

10.2.3.2 The Bank qualified as a member based on the financial contribution to SWIFT for network-based services. The Bank has made an investment as per the requirements of By-Laws of SWIFT, under the Share Re-allocation Process, as a result becoming entitled to invest in for six shares. The participation is mandatory to avail the desired network-based services for financial message transmission for cross-border payments and receipt. Further, the share re-allocation occurs every three years and will result in either an increase, decrease, or a status quo in individual shareholding.

10.2.4 Details of investment in preference shares of listed companies

| Name of the company | Percentage of holding | Face value per share | Number of shares | Cost | | Market value | |
|---|--------------------------|----------------------------|---------------------|------------------------------------|---------|--------------|------|
| | | | | 2017 ----- Rupees in '000 ----- | 2016 | 2017 | 2016 |
| Available-for-sale securities | | | | | | | |
| AgriTech Limited (note 10.2.4.1 & 10.2.4.3) | 3.03% | 10 | 4,823,746 | 48,236 | 48,236 | - | - |
| Chenab Limited (note 10.2.4.2 & 10.2.4.3) | 15.45% | 10 | 12,357,000 | 88,353 | 88,353 | - | - |
| | | | | 136,589 | 136,589 | - | - |

Notes to the Unconsolidated Financial Statements

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10.2.4.1 These are non-voting cumulative preference shares, carrying preference dividend @ 10% p.a and are convertible into ordinary shares at the option of the Bank after five years from the date of issuance i.e. February 2012. The investee company also has the option to redeem these preference shares plus any unpaid dividend in full or in part, within ninety days after expiry of each anniversary of the issue date. The Bank has recognised full impairment on these shares amounting to Rs.48.236 million (2016: Rs.48.236 million) due to weak financial position of the company.

10.2.4.2 These are cumulative preference shares, carrying preference dividend @ 9.25% p.a and are redeemable in part after four years from the date of issuance i.e. August 2008. The investee company also has an option to redeem, in part, cumulative preference shares after August 2008. The Bank has recognized full impairment on these shares amounting to Rs.88.353 million (2016: Rs.88.353 million) due to weak financial position of the company.

10.2.4.3 Surplus arising due to re-measurement of these shares to the market value has not been recognized as the management believes that the market value may not be realized while selling them in open market.

10.2.5 Details of investment in term finance certificates - listed *

| Name of the company | Number of certificates | | Rating | | Cost | | Market value | |
|---|------------------------|--------|---------|---------|---------|---------|--------------|------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| ----- Rupees in '000 ----- | | | | | | | | |
| Available-for-sale securities | | | | | | | | |
| Worldcall Telecom Limited (note 10.2.5.1 & 10.2.5.2) | 90,650 | 90,650 | Unrated | Unrated | 182,322 | 182,322 | - | - |
| | | | | | 182,322 | 182,322 | - | - |

* 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 |
|---------------------------|---------------------|-----------------------------------|------------------|
| Worldcall Telecom Limited | Semi-annually | 6 Month KIBOR ask rate plus 1.60% | October 15, 2021 |

10.2.5.2 Due to weak financial position of the company the Bank has recognised full impairment loss on these term finance certificates.

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

| Name of the company | Note | Number of certificates | | Rating | | Face value per certificate | Cost | |
|--|----------|------------------------|---------|---------|---------|----------------------------|---------|---------|
| | | 2017 | 2016 | 2017 | 2016 | | 2017 | 2016 |
| Rupees ----- Rupees in '000 ----- | | | | | | | | |
| Azgard Nine Limited (related party) | 10.2.6.1 | 29,998 | 29,998 | Unrated | Unrated | 5,000 | 65,022 | 65,022 |
| AgriTech Limited | 10.2.6.1 | 30,000 | 30,000 | Unrated | Unrated | 5,000 | 149,860 | 149,860 |
| NRSP Microfinance Bank Limited | | 60,000 | 60,000 | A | A | 5,000 | 75,000 | 225,000 |
| Water & Power Development Authority (WAPDA) | | 100,000 | 100,000 | AAA | AAA | 5,000 | 285,714 | 357,143 |
| Askari Bank Limited - 4th Issue | | - | 75 | - | AA- | 1,000,000 | - | 75,047 |
| Bank Alfalah Limited - 4th Issue | | - | 1,440 | - | AA- | 5,000 | - | 4,797 |
| Independent Media Corporation (Pvt.) Limited | | - | 20,000 | - | BBB- | 5,000 | - | 35,000 |
| | | | | | | | 575,596 | 911,869 |

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For the year ended December 31, 2017

10.2.6.1 Due to weak financial position of the company the Bank has recognised full impairment loss on these term finance certificates.

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

| Name of the company | Repayment frequency | Profit rate per annum | Maturity date |
|---|---------------------|------------------------------------|--------------------|
| Azgard Nine Limited - related party (Chief Executive: Mr. Ahmed H. Shaikh) | Semi-annually | 6 Month KIBOR ask rate plus 1.75%. | December 04, 2017 |
| Agritech Limited (Chief Executive: Mr. Faisal Muzammil) | Semi-annually | 6 Month KIBOR ask rate plus 1.75%. | November 29, 2019 |
| NRSP Microfinance Bank Limited (Chief Executive: Mr. Zahoor Hussain Khan) | Quarterly | 3 Month KIBOR ask rate plus 2.35%. | June 30, 2018 |
| Pakistan Water & Power Development Authority (WAPDA) (Chairman: Lieutenant General Muzammil Hussain (Retd.)) | Semi-annually | 6 Month KIBOR ask rate plus 1.00%. | September 27, 2021 |

10.2.7 Sukuk certificates - unlisted

| Name of the company | Number of certificates | | Rating | | Face value per certificate Rupees | Cost Rupees in '000 | |
|--------------------------------------|------------------------|--------|--------|------|--------------------------------------|------------------------|----------------|
| | 2017 | 2016 | 2017 | 2016 | | 2017 | 2016 |
| Available-for-sale securities | | | | | | | |
| Engro Fertilizers Limited | 80,000 | 80,000 | AA- | AA- | 3,500 | 280,000 | 360,000 |
| Byco Oil Pakistan Limited | 6,810 | - | AAA | - | 100,000 | 681,000 | - |
| Ghani Gases Limited | 2,000 | - | A | - | 87,500 | 175,000 | - |
| AGP Limited | 5,500 | - | A | - | 90,000 | 495,000 | - |
| | | | | | | 1,631,000 | 360,000 |

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

| Name of the company | Repayment | Profit rate per annum | Maturity date |
|---|---------------|------------------------------------|-------------------|
| Engro Fertilizers Limited (Chief Executive: Mr. Ruhail Muhammad) | Semi-annually | 6 Month KIBOR ask rate plus 1.75%. | July 09, 2019 |
| Byco Oil Pakistan Limited (Chief Executive: Mr. Amir Abbassciy) | Quarterly | 3 Month KIBOR ask rate plus 1.05%. | January 18, 2022 |
| Ghani Gases Limited (Chief Executive: Mr. Atique Ahmad Khan) | Quarterly | 3 Month KIBOR ask rate plus 1.00%. | February 03, 2023 |
| AGP Limited (Chief Executive: Mr. Nusrat Munshi) | Quarterly | 3 Month KIBOR ask rate plus 1.30%. | June 09, 2022 |

10.2.8 Open End Mutual Funds

| Name of Fund | Net Asset | | Rating | | Net asset value per unit | Cost | | Market value | |
|--|-----------|-----------|--------|---------|--------------------------|----------|----------------|--------------|---------------|
| | 2017 | 2016 | 2017 | 2016 | | 2017 | 2016 | 2017 | 2016 |
| Available-for-sale | | | | | | | | | |
| NAFA Government Securities Liquid Fund | - | 9,325,314 | - | AAA (f) | Rs.10.42 | - | 100,000 | - | 97,157 |
| | | | | | | - | 100,000 | - | 97,157 |

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10.2.9 Foreign currency bonds

| Name of Bond | Rating | | Coupon rate p.a % | Date of Maturity | Cost | | Market Value | |
|--|--------|------|----------------------|--------------------|------------------|------------------|------------------|------------------|
| | 2017 | 2016 | | | 2017 | 2016 | 2017 | 2016 |
| Available for sale | | | | | | | | |
| ----- Rupees in '000 ----- | | | | | | | | |
| African Export - Import Bank | Baa1 | - | 4.13% | June 20, 2024 | 223,514 | - | 222,592 | - |
| Islamic Republic of Pakistan | B | - | 6.88% | December 5, 2027 | 55,209 | - | 55,354 | - |
| Türkiye İs Bankası A.S | BB+ | - | 5.50% | April 21, 2022 | 389,917 | - | 389,799 | - |
| Türkiye İs Bankası A.S | BB+ | - | 5.38% | October 6, 2021 | 55,025 | - | 55,655 | - |
| Türkiye İs Bankası A.S | BB+ | - | 6.13% | April 25, 2024 | 224,545 | - | 222,519 | - |
| State Oil Company of the Azerbaijan | BB+ | - | 4.75% | March 13, 2023 | 148,044 | - | 151,830 | - |
| Export Credit Bank of Turkey | BB+ | - | 5.38% | October 24, 2023 | 108,844 | - | 111,566 | - |
| PTA Bank | Baa3 | - | 5.38% | March 14, 2022 | 112,662 | - | 115,171 | - |
| Rosneft International Finance DAC | Ba1 | - | 4.20% | March 6, 2022 | 178,092 | - | 178,227 | - |
| Arab Republic of Egypt | B | - | 7.50% | January 31, 2027 | 235,088 | - | 243,892 | - |
| Petrobras Global Finance | BB | - | 7.38% | January 17, 2027 | 118,759 | - | 121,354 | - |
| Russian Federation | BBB- | - | 4.25% | June 23, 2027 | 110,417 | - | 113,698 | - |
| Arab Republic of Egypt | B | - | 5.88% | June 11, 2025 | 218,116 | - | 222,727 | - |
| Gazprom via Gaz Capital SA | BBB- | - | 4.25% | April 6, 2024 | 153,547 | - | 154,245 | - |
| Banco BTG Pactual S.A. | Ba3 | - | 4.00% | January 16, 2020 | 65,010 | - | 65,551 | - |
| DIB Sukuk Ltd. | A | - | 3.66% | February 14, 2022 | 23,519 | - | 23,723 | - |
| BOS Funding Ltd. | BBB+ | - | 4.23% | March 7, 2022 | 110,492 | - | 112,055 | - |
| Saudi International Bond | A+ | - | 2.88% | March 4, 2023 | 30,639 | - | 30,271 | - |
| Akbank Tas | BB+ | - | 5.00% | October 24, 2022 | 168,014 | - | 166,663 | - |
| Türkiye Garanti Bankası A.S | BBB- | - | 5.25% | September 13, 2022 | 227,874 | - | 225,090 | - |
| Türkiye Garanti Bankası A.S | BBB- | - | 5.88% | March 16, 2023 | 115,941 | - | 114,418 | - |
| African Export - Import Bank | Baa1 | Baa2 | 4.00% | May 24, 2021 | 232,521 | 220,151 | 235,918 | 220,049 |
| Deutches Bank AG | BBB+ | BBB+ | 3.38% | May 12, 2021 | 138,943 | 131,544 | 140,275 | 130,013 |
| CBD (Cayman) Ltd. | A- | A- | 4.00% | November 17, 2020 | 224,056 | 213,242 | 226,086 | 213,048 |
| Türkiye İs Bankası A.S | BB+ | Ba1 | 5.50% | April 21, 2019 | 111,381 | 106,174 | 112,458 | 105,351 |
| Akbank Tas | BB+ | Ba1 | 4.00% | January 24, 2020 | 54,883 | 51,851 | 55,327 | 50,691 |
| Türkiye Garanti Bankası A.S | BBB- | Ba1 | 4.75% | October 17, 2019 | 55,623 | 52,898 | 56,017 | 51,931 |
| Republic of Kazakhstan | BBB | BBB- | 5.13% | July 21, 2025 | 117,360 | 111,905 | 122,883 | 111,457 |
| Türkiye Halk Bankası A.S | BB+ | Ba1 | 3.88% | February 5, 2020 | 68,761 | 65,031 | 65,894 | 60,971 |
| Bankpozitif Kredi Ve | | | | | | | | |
| Kalkınma Bankası A.S | BBB- | BBB- | 5.00% | February 7, 2018 | 115,938 | 109,828 | 115,816 | 106,501 |
| Samarco Mineracao SA (note 10.2.9.1) | CC | C | 5.38% | September 26, 2024 | 53,527 | 52,374 | 37,696 | 28,184 |
| Abu Dhabi National Energy Company PJSC | A3 | A- | 3.63% | June 22, 2021 | 30,181 | 28,572 | 30,717 | 28,920 |
| Bankpozitif Kredi Ve | | | | | | | | |
| Kalkınma Bankası A.S | BBB- | BBB- | 5.00% | February 7, 2018 | 55,192 | 52,129 | 55,151 | 50,715 |
| Yapı Ve Kredi Bankası | - | Ba1 | - | - | - | 104,366 | - | 99,297 |
| Barclays Bank Plc | - | BBB | - | - | - | 102,273 | - | 104,464 |
| Deutches Bank AG | - | BBB+ | - | - | - | 204,309 | - | 205,478 |
| Credit Suisse Group Funding | - | BBB+ | - | - | - | 103,284 | - | 104,295 |
| HSBC Holdings Plc | - | A1 | - | - | - | 23,385 | - | 23,747 |
| Perusahaan Penerbit SBSN | - | Baa3 | - | - | - | 104,599 | - | 104,110 |
| Oman Government International | - | BBB | - | - | - | 51,875 | - | 52,235 |
| Islamic Republic of Pakistan | - | B | - | - | - | 657,554 | - | 662,968 |
| Islamic Republic of Pakistan | - | B | - | - | - | 668,085 | - | 687,118 |
| Islamic Republic of Pakistan | - | B | - | - | - | 779,606 | - | 792,346 |
| Federal Republic of Brazil | - | BB | - | - | - | 105,372 | - | 107,815 |
| Islamic Republic of Pakistan | - | B | - | - | - | 317,841 | - | 317,153 |
| EA Partners II BV | - | B | - | - | - | 209,197 | - | 210,406 |
| Emirates NBD PJSC | - | A3 | - | - | - | 104,599 | - | 104,814 |
| Gazprombank (OJSC) | - | BB+ | - | - | - | 69,767 | - | 71,841 |
| Banco BTG Pactual | - | BB- | - | - | - | 61,051 | - | 57,893 |
| Africa Finance Corporation | - | A3 | - | - | - | 211,879 | - | 213,853 |
| IBQ Finance Limited | - | A+ | - | - | - | 208,782 | - | 211,251 |
| The Third Pakistan International Sukuk Co. Ltd. | - | B | - | - | - | 418,394 | - | 426,026 |
| | | | | | 4,331,634 | 5,701,917 | 4,350,638 | 5,714,941 |

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10.2.9.1 The Bank has recognised partial impairment on this bond amounting to Rs.31.653 million (2016: Rs.31.653 million) due to weak financial position of the company.

10.2.10 Investment in subsidiaries

| | Rating | | Number of shares | Percentage holding | | Cost | |
|---|--------|------|------------------|--------------------|--------|------------------|------------------|
| | 2017 | 2016 | | 2017 | 2016 | 2017 | 2016 |
| | | | | | | Rupees in '000 | |
| JS Global Capital Limited (JSGCL) | AA | AA | 25,525,169 | 67.16% | 67.16% | 1,357,929 | 1,357,929 |
| JS Investments Limited (JSIL) (note 10.2.10.1) | A+ | A+ | 52,236,978 | 65.16% | 65.16% | 561,192 | 561,192 |
| | | | | | | <u>1,919,121</u> | <u>1,919,121</u> |

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

10.3 Investments include certain approved / government securities which are held by the Bank to comply with the Statutory Liquidity Requirement determined on the basis of the Bank's demand and time liabilities as set out under section 29 of the Banking Companies Ordinance, 1962.

| | Note | 2017 | 2016 |
|--|----------|----------------------------|----------------|
| | | ----- Rupees in '000 ----- | |
| 10.4 Particulars of provision for diminution in value of investments | | | |
| Opening balance | | 948,820 | 533,793 |
| Charge for the year | | 506,405 | 415,027 |
| Reversal on disposal of investments | | (383,374) | - |
| | | 123,031 | 415,027 |
| Closing balance | | <u>1,071,851</u> | <u>948,820</u> |
| 10.4.1 Particulars of provision for diminution in value of investments by type and segment | | | |
| Ordinary shares - listed | 10.2.2 | 506,405 | - |
| Ordinary shares - unlisted | 10.2.3 | - | 383,374 |
| Preference shares of listed company | 10.2.4 | 136,589 | 136,589 |
| Term finance certificates - unlisted | 10.2.6 | 214,882 | 214,882 |
| Term finance certificates - listed | 10.2.5 | 182,322 | 182,322 |
| Foreign currency bonds | 10.2.9.1 | 31,653 | 31,653 |
| | | <u>1,071,851</u> | <u>948,820</u> |
| 10.5 Unrealised loss on revaluation of investments classified as held-for-trading securities -net | | | |
| Market treasury bills | | (214) | (1,297) |
| Pakistan investment bonds | | (2,274) | - |
| | | <u>(2,488)</u> | <u>(1,297)</u> |

Notes to the Unconsolidated Financial Statements

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| | 2017 | 2016 |
|---|----------------------------|-------------|
| Note | ----- Rupees in '000 ----- | |
| 11. ADVANCES - net | | |
| Loans, cash credits, running finances, etc. | | |
| In Pakistan | 160,635,485 | 84,694,538 |
| Outside Pakistan | 702,934 | 2,139 |
| | 161,338,419 | 84,696,677 |
| Net investment in finance lease in Pakistan | 11.2 13,781,334 | 7,532,153 |
| Bills discounted and purchased (excluding treasury bills) | | |
| payable in Pakistan | 6,174,461 | 1,444,580 |
| payable outside Pakistan | 5,584,681 | 2,780,065 |
| | 11,759,142 | 4,224,645 |
| Advances - gross | 11.1 186,878,895 | 96,453,475 |
| Provision against non-performing advances - specific | 11.4 (2,638,960) | (2,618,353) |
| Provision against advances - general | 11.4 (100,353) | (40,988) |
| | (2,739,313) | (2,659,341) |
| Advances - net of provision | 184,139,582 | 93,794,134 |
| 11.1 Particulars of advances (gross) | | |
| 11.1.1 In local currency | 180,504,654 | 92,885,670 |
| In foreign currencies | 6,374,241 | 3,567,805 |
| | 186,878,895 | 96,453,475 |
| 11.1.2 Short term (for upto one year) | 123,066,393 | 77,178,825 |
| Long term (for over one year) | 63,812,502 | 19,274,650 |
| | 186,878,895 | 96,453,475 |

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11.2 Particulars of net investment in finance lease

| | 2017 | | | 2016 | | |
|---|----------------------------|---|-------------|-------------------------|---|-----------|
| | Not later than one year | Later than one and less than five years | Total | Not later than one year | Later than one and less than five years | Total |
| | ----- Rupees in '000 ----- | | | | | |
| Lease rentals receivable | 5,222,208 | 6,584,317 | 11,806,525 | 2,619,528 | 3,804,142 | 6,423,670 |
| Guaranteed residual value | 412,388 | 2,911,823 | 3,324,211 | 150,701 | 1,732,591 | 1,883,292 |
| Minimum lease payments | 5,634,596 | 9,496,140 | 15,130,736 | 2,770,229 | 5,536,733 | 8,306,962 |
| Finance charges for future periods | (776,285) | (573,117) | (1,349,402) | (435,151) | (339,658) | (774,809) |
| Present value of minimum lease payments | 4,858,311 | 8,923,023 | 13,781,334 | 2,335,078 | 5,197,075 | 7,532,153 |

11.3 Advances include Rs.3,257.997 million (2016: Rs.3,327.942 million) which have been placed under non-performing status as detailed below:

| Category of classification | Note | 2017 | | | Provision required | Provision held |
|-----------------------------------|------|----------------------------|----------|-----------|--------------------|----------------|
| | | Domestic | Overseas | Total | | |
| | | ----- Rupees in '000 ----- | | | | |
| Other assets especially mentioned | | 5,222 | - | 5,222 | - | - |
| Substandard | | 336,818 | - | 336,818 | 44,307 | 44,307 |
| Doubtful | | 131,328 | - | 131,328 | 7,333 | 7,333 |
| Loss | | 2,784,629 | - | 2,784,629 | 2,587,320 | 2,587,320 |
| | 11.4 | 3,257,997 | - | 3,257,997 | 2,638,960 | 2,638,960 |
| 2016 | | | | | | |
| Category of classification | | Domestic | Overseas | Total | Provision required | Provision held |
| ----- Rupees in '000 ----- | | | | | | |
| Other assets especially mentioned | | - | - | - | - | - |
| Substandard | | 384,986 | - | 384,986 | 46,076 | 46,076 |
| Doubtful | | 48,302 | - | 48,302 | 531 | 531 |
| Loss | | 2,894,654 | - | 2,894,654 | 2,571,746 | 2,571,746 |
| | 11.4 | 3,327,942 | - | 3,327,942 | 2,618,353 | 2,618,353 |

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11.4 Particulars of provision against non-performing advances

| | Note | 2017 | | | 2016 | | |
|---|------|-----------|---------|-----------|-----------|---------|-----------|
| | | Specific | General | Total | Specific | General | Total |
| ----- Rupees in '000 ----- | | | | | | | |
| Opening balance | | 2,618,353 | 40,988 | 2,659,341 | 2,705,929 | 17,252 | 2,723,181 |
| Charge for the year | | 178,071 | 59,365 | 237,436 | 183,923 | 23,736 | 207,659 |
| Reversals | | (34,622) | - | (34,622) | (271,346) | - | (271,346) |
| | | 143,449 | 59,365 | 202,814 | (87,423) | 23,736 | (63,687) |
| Amount written off from the opening balance | 11.5 | (122,842) | - | (122,842) | (153) | - | (153) |
| Closing balance | | 2,638,960 | 100,353 | 2,739,313 | 2,618,353 | 40,988 | 2,659,341 |

11.4.1 Particulars of provision against non-performing advances

| | 2017 | | | 2016 | | |
|----------------------------|-----------|---------|-----------|-----------|---------|-----------|
| | Specific | General | Total | Specific | General | Total |
| ----- Rupees in '000 ----- | | | | | | |
| In local currency | 2,638,960 | 100,353 | 2,739,313 | 2,618,353 | 40,988 | 2,659,341 |

11.4.2 The general provision is maintained to create general reserves against following advances portfolios in accordance with the prudential regulations issued by State Bank of Pakistan as follows:

| | 2017 | | 2016 | |
|-----------------------------|-------------------|---------------------|-------------------|---------------------|
| | Secured portfolio | Unsecured portfolio | Secured portfolio | Unsecured portfolio |
| ----- Percentages ----- | | | | |
| Small enterprises financing | - | 1% | - | - |
| Consumer financing | 1% | 1% | 4% | 4% |
| Housing finance | 0.5% | 0.5% | - | - |

11.4.3 The State Bank of Pakistan through various circulars has allowed benefit of the forced sale value (FSV) of Plant and Machinery under charge, pledged stock and mortgaged residential, commercial and industrial properties (land and building only) held as collateral against non-performing loans (NPLs) for a maximum of five years from the date of classification. As at December 31, 2017, the Bank has availed cumulative benefit of FSV of Rs.295.536 million (2016: Rs.398.690 million) under the directives of the SBP. Had the benefit not been taken the unappropriated profit after tax would have reduced by Rs.192.098 million (2016: Rs.259.149 million). Further, as required by the SBP directives, this unappropriated profit will not be available for distribution as dividend or other appropriations.

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| | 2017 | 2016 |
|---|----------------------------|------------|
| | ----- Rupees in '000 ----- | |
| 11.5 Particulars of Write Offs: | | |
| 11.5.1 Against provisions | 122,842 | 153 |
| Directly charged to profit and loss account | - | 83 |
| | <u>122,842</u> | <u>236</u> |
| 11.5.2 Write offs of Rs.500,000 and above | 122,703 | - |
| Write offs of below Rs.500,000 | 139 | 236 |
| | <u>122,842</u> | <u>236</u> |
| 11.5.3 During the period, the Board of Directors in their meeting held on April 27, 2017 authorised the Bank to write-off the fully provided non-performing loans amounting to Rs. 122.842 million. These loans are written-off as a book entry without prejudice to the Bank's right of recovery against the customers. In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to a person during the year ended December 31, 2017 is given in Annexure 'II' to these financial statements. | | |

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 person:

| | 2017 | 2016 |
|--------------------------------------|----------------------------|------------------|
| Note | ----- Rupees in '000 ----- | |
| Balance at the beginning of the year | 1,714,606 | 1,319,024 |
| Loans granted during the year | 1,125,376 | 865,153 |
| Repayments | (509,516) | (469,571) |
| Balance at the end of the year | <u>2,330,466</u> | <u>1,714,606</u> |

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

12. OPERATING FIXED ASSETS

| | | | |
|--|------|------------------|------------------|
| Capital work-in-progress | 12.1 | 295,973 | 227,808 |
| Property and equipment | 12.2 | 4,957,926 | 3,841,485 |
| Intangible assets | 12.3 | 1,858,922 | 1,767,888 |
| | | <u>7,112,821</u> | <u>5,837,181</u> |
| 12.1 Capital work-in-progress | | | |
| Civil works | | 110,247 | 114,941 |
| Advance for purchase of furniture and fixtures | | 290 | 1,785 |
| Advance for purchase of vehicles | | 59,190 | 26,405 |
| Advance for purchase of equipment and software | | 126,246 | 84,677 |
| | | <u>295,973</u> | <u>227,808</u> |

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12.2 Property and equipment

| | COST | | | | ACCUMULATED DEPRECIATION | | | | Book value as at December 31, 2017 | Rate % | |
|---|------------------------|-------------------------------------|----------------------|--|--------------------------|------------------------|---|-----------------------------|------------------------------------|-----------|-------------------------|
| | As at January 01, 2017 | Surplus on revaluation Note: 12.2.4 | Additions/ deletions | Exchange gain / adjustments Note: 12.2.3 | As at December 31, 2017 | As at January 01, 2017 | Charge for the year / Depreciation on deletions | Exchange gain / adjustments | | | As at December 31, 2017 |
| Leasehold land | 927,051 | 124,654 | - | - | 1,089,566 | - | - | - | - | 1,089,566 | - |
| Building on leasehold land | 961,646 | 540,358 | 510 | 37,861 | 1,462,113 | 26,132 | 146 | 146 | 112,430 | 1,349,683 | 1.01 - 4.78 |
| Lease hold improvements | 1,006,748 | - | 162,661 | (41,479) | 1,169,409 | 97,780 | - | - | 537,810 | 631,599 | 10 |
| Furniture and fixture | 401,974 | - | 83,732 | 310 | 485,001 | 47,542 | 50 | 50 | 243,329 | 241,672 | 12.5 |
| Electrical, office and computer equipment | 1,993,739 | - | 512,410 | 217 | 2,488,307 | 279,703 | 48 | 48 | 1,370,954 | 1,118,353 | 12.5 - 33.3 |
| Vehicles | 692,965 | - | 312,871 | 177 | 866,091 | 134,628 | 30 | 30 | 339,038 | 527,053 | 20 |
| | 5,984,123 | 665,012 | 1,072,184 | 1,782 | 7,561,487 | 585,785 | 274 | 274 | 2,603,561 | 4,957,926 | |
| | - | - | (157,996) | (3,618) | - | (125,136) | - | - | - | - | |

| | COST | | | | ACCUMULATED DEPRECIATION | | | | Book value as at December 31, 2016 | Rate % |
|---|------------------------|-----------------------|-------------------------|-------------------------|--------------------------|--|-------------------------|-------------------------|------------------------------------|-------------|
| | As at January 01, 2016 | Additions/ Deletions/ | As at December 31, 2016 | Write off / adjustments | As at January 01, 2016 | Charge for the year / Depreciation on deletions/ | write off / adjustments | As at December 31, 2016 | | |
| Leasehold land | 370,500 | 543,590 | 927,051 | - | - | - | - | - | 927,051 | - |
| Building on lease hold land | 710,739 | 262,268 | 961,646 | 12,961 | 68,089 | 27,440 | - | 86,465 | 875,181 | 1.01 - 4.78 |
| Lease hold improvements | 747,532 | 273,478 | 1,006,748 | (11,361) | 353,949 | 89,679 | (9,064) | 440,030 | 566,718 | 10 |
| Furniture and fixture | 322,885 | 97,774 | 401,974 | (1,600) | 172,415 | 42,497 | (15,866) | 196,454 | 205,520 | 12.5 |
| Electrical, office and computer equipment | 1,637,551 | 432,328 | 1,993,739 | (58,520) | 946,911 | 232,495 | (58,520) | 1,106,184 | 887,555 | 12.5 - 33.3 |
| Vehicles | 570,329 | 202,370 | 692,965 | - | 250,924 | 123,368 | - | 313,505 | 379,460 | 20 |
| | 4,359,536 | 1,811,808 | 5,984,123 | (87,048) | 1,792,288 | 515,479 | (87,048) | 2,142,638 | 3,841,485 | |
| | - | (100,173) | - | - | - | (78,081) | - | - | - | |

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

- 12.2.1** Included in cost of property and equipment are fully depreciated items still in use having cost of Rs.539.849 million (2016: Rs.568.479 million).
- 12.2.2** The details of disposals of assets whose original cost or book value exceeds one million rupees or two hundred and fifty thousand rupees respectively, whichever is lower, are given in Annexure I of these unconsolidated financial statements.
- 12.2.3** During the year, the Bank has reclassified Rs. 37.861 million into lands which was earlier classified in the buildings, resultantly the excess depreciation charged on land of Rs. 14.931 million is reversed accordingly.
- 12.2.4** The properties of the Bank are revalued by independent professional valuers as at September 30, 2017. The revaluation was carried out by M/s. Tristar International Consultants Pvt Ltd on the basis of professional assessment of present market values and resulted in an increase in surplus by Rs.665.012 million. The total surplus arising against revaluation of fixed assets as at December 31, 2017 amounts to Rs.661.399 million. Had there been no revaluation, the carrying value of revalued land and building on land as at December 31, 2017 would have been lower by Rs.124.654 million and Rs.536.745 million respectively, and net surplus on revaluation of fixed assets, deferred tax liability and incremental depreciation would have been lower by Rs.473.538 million, Rs.187.861 million and Rs.3.613 million respectively.

12.3 Intangible assets

| | Note | COST | | | ACCUMULATED AMORTISATION | | | Book value as at December 31, 2017 | Rate % | |
|-------------------|--------|----------------------------|---------------------------|-------------------------|--------------------------|---------------------------|---------------------------|------------------------------------|------------------|-------------------------|
| | | As at January 01, 2017 | Additions / Exchange gain | As at December 31, 2017 | As at January 01, 2017 | Deletions / Exchange gain | Amortisation for the year | | | As at December 31, 2017 |
| | | ----- Rupees in '000 ----- | | | | | | | | |
| Computer software | | 521,692 | 151,360 | 673,321 | 217,428 | - | 60,556 | 278,023 | 395,298 | 10 |
| | | | 269 | | | 39 | | | | |
| Goodwill | 12.3.1 | 1,463,624 | - | 1,463,624 | - | - | - | - | 1,463,624 | - |
| | | <u>1,985,316</u> | <u>151,629</u> | <u>2,136,945</u> | <u>217,428</u> | <u>-</u> | <u>60,556</u> | <u>278,023</u> | <u>1,858,922</u> | |
| | | | 269 | | | 39 | | | | |

| | Note | COST | | | ACCUMULATED AMORTISATION | | | Book value as at December 31, 2016 | Rate % | |
|-------------------|--------|----------------------------|---------------------------|-------------------------|--------------------------|---------------------------|---------------------------|------------------------------------|------------------|-------------------------|
| | | As at January 01, 2016 | Additions / Exchange gain | As at December 31, 2016 | As at January 01, 2016 | Deletions / Exchange gain | Amortisation for the year | | | As at December 31, 2016 |
| | | ----- Rupees in '000 ----- | | | | | | | | |
| Computer software | | 472,587 | 49,105 | 521,692 | 168,131 | - | 49,297 | 217,428 | 304,264 | 10 |
| Goodwill | 12.3.1 | 1,463,624 | - | 1,463,624 | - | - | - | - | 1,463,624 | - |
| | | <u>1,936,211</u> | <u>49,105</u> | <u>1,985,316</u> | <u>168,131</u> | <u>-</u> | <u>49,297</u> | <u>217,428</u> | <u>1,767,888</u> | |

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

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

12.3.2 Key assumptions used in value in use calculation

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

| | 2017 | 2016 |
|----------------------|-------------|-------|
| | Percentages | |
| Discount rate | 19.33 | 16.33 |
| Terminal growth rate | 10.00 | 10.00 |

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

a) Interest margins

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

b) Discount rates

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

c) Key business assumptions

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

Management believes that any significant change in key assumptions, on which CGU's recoverable amount is based, may impact the carrying amount to further exceed its recoverable amount. Value in use calculation of the CGU are sensitive to changes in assumptions for interest rate spreads, Non Funded Income (NFI), long term growth rates and discount rates.

d) Sensitivity to changes in assumption

The estimated recoverable amount of the 'Trading and Sales' CGU exceeds its carrying amount by approximately Rs.1,336.8 million. Management has identified two key assumptions for which there could be a reasonably possible change that could cause the carrying amount to exceed the recoverable amount. The following table shows the amount that these two assumptions are required to change individually in order for the estimated recoverable amount to be equal to the carrying amount.

| | Changes required for carrying amount to equal recoverable amount (%) | |
|------------------------|--|--------|
| | 2017 | 2016 |
| - Discount rate | 1.02 | 1.41 |
| - Terminal growth rate | (1.49) | (1.92) |

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

| | Note | 2017 ----- Rupees in '000 ----- | 2016 |
|--|------|------------------------------------|------------------|
| 13. OTHER ASSETS | | | |
| Mark-up / income accrued in local currency | 13.1 | 4,054,291 | 2,314,307 |
| Mark-up / income accrued in foreign currency | | 67,337 | 85,801 |
| Advances, deposits, advance rent and other prepayments | | 473,329 | 393,740 |
| Taxation (payments less provision) | | 315,931 | 329,477 |
| Receivable against bancassurance / bancatakaful | 13.2 | 89,727 | 19,278 |
| Stationery and stamps in hand | | 13,212 | 13,215 |
| Receivable from other banks in respect of remittance | 13.3 | 202,282 | 154,760 |
| Non-banking assets acquired in satisfaction of claims | 13.4 | 203,339 | 175,808 |
| Unrealised loss on revaluation of derivative instruments | | 72,078 | - |
| Advance for subscription of TFC - unsecured | 13.5 | 133,333 | - |
| ATM settlement account | | 226,827 | 171,428 |
| Others | 13.6 | 164,643 | 99,523 |
| | | <u>6,016,329</u> | <u>3,757,337</u> |
| Less: Provision held against other assets | 13.7 | (55,667) | (10,861) |
| Other assets (net of provisions) | | <u>5,960,662</u> | <u>3,746,476</u> |

13.1 This includes an amount of Rs.25.199 million (2016: Rs.60.787 million) due from related parties.

13.2 This includes an amount of Rs.74.240 million (2016: Rs.19.132 million) due from related parties.

13.3 This includes an amount of Rs.132.069 million (2016: Rs.123.486 million) receivable from State Bank of Pakistan in respect of home remittance services provided by the Bank.

13.4 Movement of Non banking assets acquired in satisfaction of claims at market value:

| | Note | 2017 ----- Rupees in '000 ----- | 2016 |
|---|--------|------------------------------------|----------------|
| As at January 01 | | 175,808 | 182,455 |
| Revaluation surplus arise during the year - net | | 13,395 | 84,175 |
| Additions during the year | 13.4.2 | 15,436 | 39,948 |
| Deletions during the year | | - | (129,648) |
| Depreciation during the year | | (1,300) | (1,122) |
| | | <u>203,339</u> | <u>175,808</u> |

13.4.1 Non-banking assets acquired in satisfaction of claims are carried at revalued amount according to the requirements of the 'Regulation for Debt Property Swap' (the regulations) issued by SBP vide the BPRD Circular No. 1 of 2016, dated January 01, 2016. Had there been no revaluation, the carrying value of non-banking assets acquired in satisfaction of claims would have been lower by Rs.97.241 million (2016: Rs.91.634 million), and surplus on revaluation of assets net, deferred tax liability and depreciation expense would have been lower by Rs.95.049 million (2016: Rs.84.175 million), Rs.2.192 million (2016: Rs.2.304 million) and Rs.0.329 million (2016: Rs.1.122 million) respectively.

| | 2017 ----- Rupees in '000 ----- | 2016 |
|----------------|------------------------------------|---------------|
| Leasehold land | 88,640 | 73,206 |
| Building | 17,457 | 18,427 |
| | <u>106,097</u> | <u>91,633</u> |

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

- 13.4.2** This represents property acquired under satisfaction of claims against which non-performing loan was reduced and specific provision has been reversed by Rs.15.436 million (2016: Rs.39.948 million).
- 13.5** This represents, the advance given against subscription of the TFCs of the FINCA Microfinance Bank by agreement dated October 19, 2017 carrying interest at the rate of average of three months KIBOR + 1.5% p.a.
- 13.6** This includes an amount of Rs.7.073 million (2016: Rs.2.505 million) due from subsidiary companies.

| | | 2017 | 2016 |
|--|--|----------------------------|------------|
| | Note | ----- Rupees in '000 ----- | |
| 13.7 Provision held against other assets | | | |
| Opening balance | | 10,861 | 10,861 |
| Charge for the year | 13.7.1 | 44,806 | - |
| Reversal for the year | | - | - |
| Net charge for the year | | 44,806 | - |
| Closing balance | | 55,667 | 10,861 |
| 13.7.1 | This represents receivable against insurance claim from a related party. | | |
| 14. BILLS PAYABLE | | | |
| In Pakistan | | 3,669,463 | 2,539,715 |
| Outside Pakistan | | 154,815 | 4,313 |
| | | 3,824,278 | 2,544,028 |
| 15. BORROWINGS | | | |
| In Pakistan | | 59,291,448 | 8,152,229 |
| Outside Pakistan | | 5,265,595 | 2,167,818 |
| | 15.1 & 15.2 | 64,557,043 | 10,320,047 |
| 15.1 Particulars of borrowings | | | |
| In local currency | | 59,291,448 | 8,152,229 |
| In foreign currencies | | 5,265,595 | 2,167,818 |
| | | 64,557,043 | 10,320,047 |
| 15.2 Details of borrowings from financial institutions | | | |
| Secured | | | |
| Borrowings from State Bank of Pakistan under: | | | |
| Export refinancing scheme (ERF) | 15.2.1 | 10,970,007 | 5,962,976 |
| Long-Term Finance Facility (LTFF) | 15.2.2 | 1,390,366 | 735,734 |
| Financing Facility for Storage of Agricultural Produce (FFSAP) | 15.2.3 | 69,365 | 40,845 |
| | | 12,429,738 | 6,739,555 |
| Repurchase agreement borrowings | 15.2.4 | 44,802,031 | 1,412,674 |
| Unsecured | | | |
| Call borrowings | 15.2.5 | 5,637,284 | 805,408 |
| Due against bills re-discounting | 15.2.6 | 1,488,994 | 1,321,882 |
| Overdrawn nostro accounts | | 198,996 | 40,528 |
| | | 7,325,274 | 2,167,818 |
| | | 64,557,043 | 10,320,047 |

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

- 15.2.1** The Bank has entered into agreement with the State Bank of Pakistan (SBP) for extending export finance to customers. As per the terms of the agreement, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of finances by directly debiting the current account maintained by the Bank with SBP. These borrowings are repayable on a quarterly basis and to be matured between January 09, 2018 and June 26, 2018. These carry mark-up at the rate from 1% to 2% (December 31, 2016: 2%) per annum.
- 15.2.2** These borrowings have been obtained from the SBP for providing financing facilities to exporters for adoption of new technologies and modernization of their plant and machinery. These borrowings will mature between August 25, 2019 and October 18, 2027 (2016: August 25, 2019 and December 31, 2026). These carry mark-up at rates ranging from 3.5% to 6% (2016: 3.5% to 6.0%) per annum.
- 15.2.3** These borrowings have been obtained from SBP under "Financing Facility for Storage of Agricultural Produce (FFSAP)" to encourage Private Sector to establish Silos, Warehouses and Cold Storages. These borrowings will mature between May 09, 2020 and July 31, 2024 and carry mark-up at the rate ranging between 2.00% to 2.50% (December 31, 2016: 3.5%) per annum.
- 15.2.4** This represents collateralised borrowing from various financial institutions against Market Treasury Bills, Pakistan Investment Bonds and Foreign Currency Bonds (2016: Treasury Bills) carrying mark-up at the rates ranging from 2.30% to 6.20% (2016: 5.6% to 5.75%) per annum and will mature between January 02, 2018 and March 20, 2018 (2016: January 03, 2017). The carrying value of securities given as collateral against these borrowings is given in note 10.1.
- 15.2.5** These represent call money borrowings from financial institutions which will mature between January 02, 2018 and January 29, 2018 (2016: January 05, 2017 and March 28, 2017), carrying interest at the rates ranging from 1.10% to 5.8% (2016: 1.80% to 2.76%) per annum.
- 15.2.6** This represents obligation to the foreign corresponding banks on the discounting of foreign documentary bills purchased by the Bank on discount. These will mature between January 19, 2018 to March 05, 2019 (2016: January 06, 2017 to March 14, 2017) and carry interest at the rates ranging from 1.65% to 4.22% (2016: 2.30% to 2.54%) per annum.

| | 2017 | 2016 |
|--|----------------------------|--------------------|
| | ----- Rupees in '000 ----- | |
| 16. DEPOSITS AND OTHER ACCOUNTS | | |
| Customers | | |
| Fixed deposits | 131,902,422 | 101,194,427 |
| Savings deposits | 47,266,416 | 35,751,988 |
| Current accounts - non-remunerative | 70,197,106 | 49,123,501 |
| Margin accounts | 3,967,204 | 4,185,137 |
| | <u>253,333,148</u> | 190,255,053 |
| Financial Institutions | | |
| Remunerative deposits | 35,724,471 | 35,131,540 |
| Non-remunerative deposits | 1,019,947 | 712,338 |
| | <u>36,744,418</u> | 35,843,878 |
| | <u>290,077,566</u> | 226,098,931 |
| 16.1 Particulars of deposits | | |
| In local currency | 276,922,230 | 215,434,075 |
| In foreign currencies | 13,155,336 | 10,664,856 |
| | <u>290,077,566</u> | <u>226,098,931</u> |

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

| | | 2017 | 2016 |
|--|------|----------------------------|------------------|
| | Note | ----- Rupees in '000 ----- | |
| 17. SUB-ORDINATED LOANS | | | |
| Term Finance Certificates - First Issue | 17.1 | 2,998,800 | 3,000,000 |
| Term Finance Certificates - Second Issue | 17.2 | 2,000,000 | - |
| | | <u>4,998,800</u> | <u>3,000,000</u> |

17.1 In 2016, the Bank has issued Rs.3 billion of rated, privately placed, unsecured and subordinated term finance certificates ("TFCs" or "the Issue") as an instrument of redeemable capital under Section 120 of the Companies Ordinance, 1984 and as outlined by State Bank of Pakistan, SBP, under the BPRD circular No. 06 dated August 15, 2013 and Basel III guidelines. Summary of terms and conditions of the Issue are:

Purpose: To contribute toward the Bank's Tier II Capital for complying with the Capital Adequacy Ratio requirement and to utilize the funds in the Bank's business operations as permitted by its Memorandum & Articles of Association.

Issue date: December 14, 2016

Tenor: Up to Seven years from the Issue date.

Maturity Date: December 14, 2023

Rating: A + (Single A Plus)

Profit Rate: Floating rate of return at Base rate + 1.4 percent per annum;

Base rate is defined as the average six months KIBOR prevailing on the Base Rate setting date. The Base Rate will be set for the first time on the last working day prior to the Issue Date and subsequently on the immediately preceding business day before the start of each six monthly period

Profit payment: Semi-annual

Redemption: The instrument is structured to redeem 0.24% of the Issue amount during the first six years after the Issue date and the remaining Issue amount of 99.76% in two equal semi-annual installments of 49.88% each in the last year.

Security: The Issue is unsecured and subordinated as to payment of Principal and profit to all other indebtedness of the Bank.

Call Option: Exercisable in part or in full on or after the 10th redemption, subject to SBP's approval.

17.2 During the current year, the Bank has issued Rs.2 billion of rated, over the counter listed, unsecured and subordinated term finance certificates ("TFCs" or "the Issue") as an instrument of redeemable capital under Section 66 of the Companies Act, 2017 and as outlined by State Bank of Pakistan, SBP, under the BPRD circular No. 06 dated August 15, 2013 and Basel III guidelines. Summary of terms and conditions of the Issue are:

Purpose: To contribute toward the Bank's Tier II Capital for complying with the capital adequacy requirement and to utilize the funds in the Bank's business operations as permitted by its Memorandum & Articles of Association.

Issue date: December 29, 2017

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

Tenor: Up to Seven years from the Issue date.

Maturity Date: December 29, 2024

Rating: A + (Single A Plus)

Profit Rate: Floating rate of return at Base rate + 1.4 percent per annum;

Base rate is defined as the average six months KIBOR prevailing on the Base Rate setting date. The Base Rate will be set for the first time on the last working day prior to the Issue Date and subsequently on the immediately preceding business day before the start of each six monthly period

Profit payment: Semi-annual

Redemption: The instrument is structured to redeem 0.24% of the Issue amount during the first six years after the Issue date and the remaining Issue amount of 99.76% in two equal semi-annual installments of 49.88% each in the last year.

Security: The Issue is unsecured and subordinated as to payment of Principal and profit to all other indebtedness of the Bank.

Call Option: Exercisable in part or in full on or after the 10th redemption, subject to SBP's approval.

18. DEFERRED TAX LIABILITIES - net

Deferred tax (debits) arising from:

| | 2017 | 2016 |
|---|----------------------------|----------|
| | ----- Rupees in '000 ----- | |
| Provision against investments | (57,149) | (57,149) |
| Provision against loans and advances | (3,523) | (16,092) |
| Provision against other assets | (15,682) | - |
| Unrealised loss on revaluation of investment classified as held-for-trading | (871) | (454) |
| Provision for Workers' Welfare Fund | (26,145) | (26,145) |
| (Deficit) / surplus on revaluation of investment classified as available-for-sale | (42,167) | 614,359 |
| | (145,537) | 514,519 |

Deferred tax credits arising due to:

| | | |
|---|---------|-----------|
| Operating fixed assets | 214,793 | 184,050 |
| Goodwill | 512,268 | 512,268 |
| Unrealised gain / (loss) on revaluation of derivative Instruments | 25,227 | (7,782) |
| Surplus on revaluation of operating fixed assets | 187,861 | - |
| Surplus on revaluation of non-banking assets acquired in satisfaction of claims | 2,191 | 2,307 |
| | 942,340 | 690,843 |
| | 796,803 | 1,205,362 |

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

18.1 Movement in temporary differences during the year:

| | Balance as at January 01, 2016 | Recognised in profit and loss account | Recognised in equity | Balance as at December 31, 2016 | Recognised in profit and loss account | Recognised in equity | Balance as at December 31, 2017 |
|--|--------------------------------------|---|-------------------------|---------------------------------------|---|-------------------------|---------------------------------------|
| ----- Rupees in '000 ----- | | | | | | | |
| Deferred tax debits arising from: | | | | | | | |
| Provision against investments | (57,149) | - | - | (57,149) | - | - | (57,149) |
| Provision against loans and advances | (94,246) | 78,154 | - | (16,092) | 12,569 | - | (3,523) |
| Provision against other assets | - | - | - | - | (15,682) | - | (15,682) |
| Unrealised (loss) / gain on revaluation of investments classified as held-for-trading | 2,559 | (3,013) | - | (454) | (417) | - | (871) |
| Surplus / (Deficit) on revaluation of investments classified assets as available-for-sale | 1,292,713 | - | (678,354) | 614,359 | - | (656,526) | (42,167) |
| Provision for Workers' Welfare Fund | (48,362) | 22,217 | - | (26,145) | - | - | (26,145) |
| | 1,095,515 | 97,358 | (678,354) | 514,519 | (3,530) | (656,526) | (145,537) |
| Deferred tax credits arising due to: | | | | | | | |
| Operating fixed assets | 152,922 | 31,128 | - | 184,050 | 30,743 | - | 214,793 |
| Goodwill | 461,322 | 50,946 | - | 512,268 | - | - | 512,268 |
| Surplus on revaluation of operating fixed assets | - | - | - | - | (1,264) | 189,125 | 187,861 |
| Surplus on revaluation of non-banking assets acquired in satisfaction of claims | - | - | 2,307 | 2,307 | (116) | - | 2,191 |
| Unrealized (loss) / gain on revaluation of derivative financial instruments | (14,366) | 6,584 | - | (7,782) | 33,009 | - | 25,227 |
| | 599,878 | 88,658 | 2,307 | 690,843 | 62,372 | 189,125 | 942,340 |
| | 1,695,393 | 186,016 | (676,047) | 1,205,362 | 58,842 | (467,401) | 796,803 |

19. OTHER LIABILITIES

| | Note | 2017 ----- Rupees in '000 ----- | 2016 |
|--|------|------------------------------------|------------------|
| Mark-up / return / interest payable in local currency | 19.1 | 2,096,404 | 1,400,359 |
| Mark-up / return / interest payable in foreign currency | | 47,076 | 16,445 |
| Accrued expenses | 19.2 | 694,761 | 605,698 |
| Payable in respect of defined benefit obligation - net | 35.5 | 175,118 | 118,308 |
| Unrealised loss on revaluation of derivative instruments | | - | 22,235 |
| Unclaimed dividends | | 4,207 | 4,207 |
| Government duties | | 115,517 | 96,909 |
| Donation payable | 29.1 | 32,000 | 67,800 |
| Lease key money deposit | | 3,320,317 | 1,877,773 |
| Provision for Workers' Welfare Fund | 19.3 | 238,385 | 205,974 |
| Payable against remittance | | 361,808 | 286,973 |
| Visa debit card payable | | 148,650 | 42,907 |
| Retention money payable | | 29,245 | 24,860 |
| Others | | 121,569 | 112,152 |
| | | 7,385,057 | 4,882,600 |

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

- 19.1** Included herein is a sum of Rs.72.114 million (2016: Rs.51.564 million) payable to related parties.
- 19.2** Included herein is a sum of Rs.1.907 million (2016: Rs.1,734 million) payable to subsidiary companies.
- 19.3** In 2016, the Honorable Supreme Court of Pakistan (SCP) passed a judgment on November 10, 2016, declaring the insertion of amendments introduced in the Finance Act, 2008 pertaining to WWF as unlawful for the reason that the WWF is not in the nature of tax and therefore, could not be introduced through money bill under the Constitution. The Federal Board of Revenue has filed a petition in the SCP against the said judgment, which is pending hearing.

In view of the above developments regarding the applicability of Federal WWF on Banks, the Pakistan Bankers' Association (PBA) sought a legal opinion to conclude on the reversal of Federal WWF provision. However, based on legal advice, the Bank has decided to retain the provision for WWF in the financial statements.

Further, as a consequence of the 18th amendment to the Constitution, levy for the WWF was also introduced by the Government of Sindh through the Sindh WWF Act, 2014. As per Sindh WWF Act, 2014, Banks are liable to pay SWWF. The Bank has challenged issue of jurisdiction before the Honorable High Court of Sindh (the Court) through Constitutional Petition 1546/2017. The Court has restrained the Sindh Revenue Board to collect / recover Sindh Worker Welfare Fund till the next date of hearing. However, on a prudent basis, the Bank has recognised full provision in the financial statements in respect of Sindh WWF.

20. SHARE CAPITAL

20.1 Authorised capital

| 2017 | 2016 | | 2017 | 2016 |
|----------------------|---------------|-------------------------------|----------------------------|------------|
| Number of shares | | Note | ----- Rupees in '000 ----- | |
| 1,850,000,000 | 1,350,000,000 | Ordinary shares of Rs.10 each | 18,500,000 | 13,500,000 |

- 20.1.1** During the year after having SBP approval, the shareholders of the Bank in their Annual General Meeting held on March 29, 2017 increased its authorised capital by Rs.5 billion, divided into 500 million shares of Rs.10 each.

20.2 Issued, subscribed and paid-up capital

| 2017 | 2016 | | 2017 | 2016 |
|----------------------|---------------|--|----------------------------|------------|
| Number of shares | | | ----- Rupees in '000 ----- | |
| 538,558,965 | 538,558,965 | Issued for cash | 5,385,590 | 5,385,590 |
| 533,905,297 | 533,905,297 | Issued for consideration other than cash | 5,339,053 | 5,339,053 |
| 1,072,464,262 | 1,072,464,262 | | 10,724,643 | 10,724,643 |

- 20.3** As at December 31, 2017, Jahangir Siddiqui & Co. Ltd. (the parent company) held 755,245,007 ordinary shares of Rs.10 each (70.42% holding).

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

21. PREFERENCE SHARES

21.1 Authorised capital

| 2017 | 2016 | 2017 | 2016 |
|--------------------|-------------|--|-----------|
| Number of shares | | ----- Rupees in '000 ----- | |
| <u>150,000,000</u> | 150,000,000 | <u>1,500,000</u> | 1,500,000 |
| | | Convertible preference shares of Rs.10 each | |

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

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

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

Tenure: Four years from the date of issuance of preference shares i.e. February 18, 2018

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

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

21.3 As at December 31, 2017, Jahangir Siddiqui & Co. Ltd. (the parent company) held 145,374,878 preference shares of Rs.10 each (96.92% holding).

| | Note | 2017 | 2016 |
|--|------|----------------------------|------------------------|
| | | ----- Rupees in '000 ----- | |
| 22. SURPLUS ON REVALUATION OF ASSETS - net of tax | | | |
| Available-for-sale securities | 22.1 | (78,310) | 1,140,952 |
| Operating fixed assets | 22.2 | 473,539 | - |
| Non-banking assets acquired in satisfaction of claims | 22.3 | 95,050 | 81,868 |
| | | <u>490,279</u> | <u>1,222,820</u> |
| 22.1 Available-for-sale securities: | | | |
| Government securities | | (542,648) | 48,729 |
| Ordinary shares - listed | | 371,514 | 1,664,750 |
| Foreign currency bonds | | 50,657 | 44,675 |
| Open end mutual funds | | - | (2,843) |
| Related deferred tax asset / (liability) | 18 | (120,477) 42,167 | 1,755,311 (614,359) |
| | | <u>(78,310)</u> | <u>1,140,952</u> |

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

| | 2017 | 2016 |
|---|----------------------------|---------|
| | ----- Rupees in '000 ----- | |
| 22.2 Operating fixed assets | | |
| Surplus on revaluation of assets recognised during the year | 665,012 | - |
| Less: Transferred to unappropriated profit: | | |
| Incremental depreciation during the year | (2,348) | - |
| Related deferred tax liability | (1,264) | - |
| | (3,612) | - |
| | 661,400 | - |
| Less: Related deferred tax liability on: | | |
| Surplus arised during the year | (189,125) | - |
| Transferred to profit and loss account on account of incremental depreciation | 1,264 | - |
| | (187,861) | - |
| | 473,539 | - |
| 22.3 Non-banking assets acquired In satisfaction of claims | | |
| Surplus on revaluation as at January 01 | 84,175 | - |
| Surplus on revaluation recognised during the year | 13,396 | 84,175 |
| | 97,571 | 84,175 |
| Less: Transferred to unappropriated profit: | | |
| Incremental depreciation during the year | (214) | - |
| Related deferred tax liability | (115) | - |
| | (329) | - |
| Less: Related deferred tax liability on: | | |
| Surplus arised during the year | (2,307) | - |
| Transferred to profit and loss account on account of incremental depreciation | 115 | (2,307) |
| | (2,192) | (2,307) |
| | 95,050 | 81,868 |

22.3.1 During the year, the surplus arose under specific requirements of 'Debt Property Swap (DPS)' regulations issued by State Bank of Pakistan effective January 01, 2016.

23. CONTINGENCIES AND COMMITMENTS

23.1 Transaction-related contingent liabilities

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

| | | |
|--|------------|------------|
| i) Government | 31,008,823 | 18,055,350 |
| ii) Banking companies and other financial institutions | 5,532,988 | 2,777,027 |
| iii) Others | 8,477,789 | 6,673,175 |
| | 45,019,600 | 27,505,552 |

23.1.1 Included herein the outstanding guarantees of Rs.31.454 million (2016: Rs.17.140 million) of related parties.

23.2 Trade-related contingent liabilities

| | | |
|---------------------|------------|------------|
| Documentary credits | 21,558,098 | 20,505,270 |
|---------------------|------------|------------|

23.2.1 Included herein the outstanding letter of credits of Rs.44.016 million (2016: Rs.2,194.048 million) of related parties.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

23.3 Tax related contingencies are disclosed in notes 31.2 to 31.5.

| 2017 | 2016 |
|----------------------------|------|
| ----- Rupees in '000 ----- | |

23.4 Commitments in respect of forward lending

| | | |
|-------------------------------------|------------|---------|
| Forward commitment to extend credit | 21,398,301 | 234,062 |
|-------------------------------------|------------|---------|

23.4.1 Included herein the commitment of Rs.Nil (2016: Rs.170 million) of related parties.

| | | |
|---|--------|--------|
| 23.5 Commitment in respect of capital expenditure | 94,975 | 59,876 |
|---|--------|--------|

23.6 Commitments in respect of derivative instruments

23.6.1 Forward exchange contracts

| | | |
|----------|-----------|------------|
| Purchase | 6,689,099 | 9,872,524 |
| Sale | 4,960,361 | 10,004,614 |

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

23.6.2 Forward government securities

| | | |
|----------|-----------|-----------|
| Purchase | 1,496,072 | 3,989,680 |
| Sale | 115,811 | 4,998,400 |

| | | |
|--|-----------|-----------|
| 23.6.3 Cross currency swaps (notional principal) | 4,223,400 | 1,753,050 |
|--|-----------|-----------|

| | | |
|-------------------------------------|-----------|---|
| 23.6.4 Options (notional principal) | 2,421,402 | - |
|-------------------------------------|-----------|---|

23.7 Derivative Instruments

Derivative instruments, such as Forward Rate Agreement, Interest Rate Swaps, Cross Currency Swaps and Options, are forward transactions that provide market making opportunities / hedge against the adverse movement of interest and exchange rates. Derivatives business also provides risk solutions for the existing and potential customers of the Bank.

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

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

The Bank has also entered into Foreign Currency & Commodity Options from its Wholesale Banking Branch Bahrain for market making activities. The policy guidelines for taking derivative exposures are approved by the Board of Directors (BOD). Bank's Asset & Liability Committee (ALCO) is responsible for reviewing and managing associated risks of the transactions.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

The transactions mainly carries credit risk (in the form of settlement & pre-settlement risk), market & liquidity risk and are managed by Treasury and monitored by Market Risk / Treasury Middle Office in line with Board of Directors approved limit framework. The Bank can hedge its risk by taking on & off balance sheet position in interbank market, where available.

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

23.7.1 Product analysis

| Counterparties | Derivative Products | 2017 | | | 2016 | | |
|---------------------------|-------------------------|------------------------|--------------------|----------------|------------------------|--------------------|-----------------|
| | | Number of contracts | Notional principal | Mark to Market | Number of contracts | Notional principal | Mark to Market |
| | | -----Rupees '000 ----- | | | -----Rupees '000 ----- | | |
| With Banks and FIs | | | | | | | |
| Hedging | Cross currency swaps | 8 | 4,223,400 | 6,118 | 6 | 1,753,050 | 5,832 |
| Market making | Options | 18 | 2,421,402 | 4,874 | - | - | - |
| Market making | Forward rate agreements | 197 | 11,649,458 | 61,523 | 277 | 19,877,138 | (28,399) |
| Market making | Forward securities | 2 | 1,611,882 | (437) | 2 | 8,988,080 | 332 |
| | | 225 | 19,906,142 | 72,078 | 285 | 30,618,268 | (22,235) |

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

23.7.2 Maturity analysis

| Remaining maturity of Contracts | 2017 | | | | |
|---------------------------------|---------------------|--------------------|----------------|------------------|---------------|
| | Number of contracts | Notional principal | Mark to market | | |
| | | | Positive | Negative | Net |
| Upto 1 month | 101 | 9,074,420 | 112,801 | (75,269) | 37,532 |
| 1 to 3 months | 56 | 2,537,559 | 10,865 | (26,079) | (15,214) |
| 3 to 6 months | 37 | 1,253,820 | 31,561 | (1,977) | 29,584 |
| 6 months to 1 year | 25 | 3,026,643 | 25,272 | (11,063) | 14,209 |
| 1 to 2 years | 2 | 831,200 | 32,563 | (30,458) | 2,105 |
| 2 to 3 years | - | - | - | - | - |
| 3 to 5 years | 4 | 3,182,500 | 96,426 | (92,565) | 3,862 |
| 5 to 10 years | - | - | - | - | - |
| Above 10 years | - | - | - | - | - |
| | 225 | 19,906,142 | 309,488 | (237,411) | 72,078 |

| Remaining maturity of Contracts | 2016 | | | | |
|---------------------------------|---------------------|--------------------|----------------|------------------|-----------------|
| | Number of contracts | Notional principal | Mark to market | | |
| | | | Positive | Negative | Net |
| Upto 1 month | 110 | 23,375,701 | 36,140 | (34,574) | 1,566 |
| 1 to 3 months | 74 | 4,439,924 | 5,914 | (32,416) | (26,502) |
| 3 to 6 months | 67 | 895,151 | 102 | (3,857) | (3,755) |
| 6 months to 1 year | 30 | 658,792 | 5,675 | (3,624) | 2,046 |
| 1 to 2 years | 2 | 209,700 | 13,859 | (13,589) | 270 |
| 2 to 3 years | 2 | 1,039,000 | 59,989 | (55,849) | 4,140 |
| 3 to 5 years | - | - | - | - | - |
| 5 to 10 years | - | - | - | - | - |
| Above 10 years | - | - | - | - | - |
| | 285 | 30,618,268 | 121,679 | (143,909) | (22,235) |

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

| | Note | 2017 ----- Rupees in '000 ----- | 2016 |
|---|------|------------------------------------|-------------------|
| 24. MARK-UP / RETURN / INTEREST EARNED | | | |
| On loans and advances | | 10,007,332 | 6,219,466 |
| On investments in: | | | |
| Held-for-trading securities | | 1,514,829 | 916,072 |
| Available-for-sale securities | | 7,408,799 | 7,842,096 |
| Held-to-maturity securities | | 1,194,135 | - |
| | | 10,117,763 | 8,758,168 |
| On lendings to financial institutions | | 78,244 | 19,901 |
| On deposits with financial institutions | | 3,613 | 151 |
| On securities purchased under resale agreements | | 174,219 | 83,329 |
| | | 20,381,171 | 15,081,015 |
| 25. MARK-UP / RETURN / INTEREST EXPENSED | | | |
| Deposits | | 11,775,496 | 7,530,868 |
| Securities sold under repurchase agreements | | 1,734,670 | 1,504,055 |
| Export refinancing scheme (ERF) | | 140,359 | 125,424 |
| Long-Term Finance Facility (LTFF) | | 24,727 | 2,967 |
| Financing Facility for Storage of Agricultural Produce (FFSAP) | | 1,897 | 1,000 |
| Sub-ordinated loans | | 227,917 | 11,110 |
| Other short term borrowings | | 234,154 | 177,858 |
| | | 14,139,220 | 9,353,282 |
| 26. FEE, COMMISSION AND BROKERAGE INCOME | | | |
| Advisory fee | | 456,930 | 169,729 |
| Trustee fee | | 5,713 | 5,471 |
| Other fees, commission and charges | 26.1 | 1,661,665 | 1,251,394 |
| | | 2,124,308 | 1,426,594 |
| 26.1 | | | |
| This includes Rs.33.462 million (2016: Rs.31.580 million) in respect of commission income from home remittance services provided by the Bank. The amount is receivable from State Bank of Pakistan at the rate of Saudi Riyal 20 (2016: Saudi Riyal 20) per transaction over USD 200 (2016: USD 200) and is shared between the Bank and various exchange companies as per terms of agreement with them. | | | |
| | | 2017 | 2016 |
| 27. GAIN / (LOSS) ON SALE OF SECURITIES - net | | ----- Rupees in '000 ----- | |
| Federal Government Securities | | | |
| - Market treasury bills | | 6,677 | 9,915 |
| - Pakistan investment bonds | | 132,137 | 2,760,642 |
| - Ijara sukuk certificates | | 2,074 | 699 |
| Ordinary shares - listed | | 312,492 | 172,380 |
| Ordinary shares - unlisted | | 599,215 | - |
| Term finance certificates | | (108) | 3,749 |
| Foreign currency bonds | | 187,795 | 7,878 |
| Mutual fund units | | (4,119) | 11,211 |
| | | 1,236,163 | 2,966,474 |

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

| | Note | 2017 ----- Rupees in '000 ----- | 2016 |
|---|------|------------------------------------|-----------|
| 28. OTHER INCOME / (LOSS) - NET | | | |
| Gain on sale of operating fixed assets | | 75,441 | 39,864 |
| Gain on recovery of non banking assets | | - | 152 |
| Income from derivative instruments | | | |
| Realised | | | |
| Forward rate agreements | | 27,685 | 51,654 |
| Unrealised | | | |
| Cross currency swaps | | 66 | (4,561) |
| Currency options | | 4,874 | - |
| Forward rate agreements | | 61,524 | (28,399) |
| Forward securities | | (438) | 332 |
| | | 66,026 | (32,628) |
| | | 93,711 | 19,026 |
| | | 169,152 | 59,042 |
| 29. ADMINISTRATIVE EXPENSES | | | |
| Salaries, wages, allowances, etc. | | 3,467,781 | 2,634,435 |
| Contractor wages | | 453,088 | 351,155 |
| Charge for defined benefit plan - net | 35.5 | 89,576 | 61,317 |
| Contribution to defined contribution plan | | 137,059 | 101,438 |
| Non-executive directors' fee, allowances and other expenses | 37.1 | 13,000 | 14,751 |
| Brokerage, fee and commission | | 66,439 | 51,073 |
| Rent, taxes, insurance, electricity, etc. | | 1,332,146 | 1,033,498 |
| Legal and professional charges | | 57,184 | 160,761 |
| Donations | 29.1 | 32,000 | 67,800 |
| Communications | | 116,825 | 149,665 |
| Repairs and maintenance | | 568,855 | 497,024 |
| Travel, conveyance and other related expenses | | 70,548 | 70,600 |
| Stationery and printing | | 181,529 | 135,895 |
| Advertisement and publicity | | 307,461 | 298,822 |
| Postage and courier service | | 56,832 | 41,248 |
| Stamp duty | | 13,066 | 16,548 |
| CDC and other charges | | 17,070 | 4,209 |
| Bank and clearing house charges | | 81,765 | 61,553 |
| Consultancy fee | | 64,020 | 68,763 |
| Security services charges | | 289,858 | 238,065 |
| Fees and subscription | | 46,939 | 32,000 |
| Auditors' remuneration | 29.2 | 11,560 | 8,307 |
| Depreciation | 12.2 | 585,785 | 515,479 |
| Depreciation on non banking assets | 13.4 | 1,300 | 1,122 |
| Amortisation | 12.3 | 60,556 | 49,297 |
| Staff training | | 48,960 | 12,985 |
| Entertainment expenses | | 39,138 | 33,862 |
| Outsourced record management services | | 4,249 | 8,433 |
| Others | | 41,746 | 28,339 |
| | | 8,256,335 | 6,748,444 |

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

29.1 This represents donation to Future Trust, wherein Mr. Kalim-ur-Rehman, the director of the Bank and Mr. Suleman Lalani, the Chief Executive Officer of Jahangir Siddiqui & Co. Ltd, the parent company of the Bank, are trustees. The registered office of the donee is located at 7th Floor, The Forum, Block 9, Clifton, Karachi.

| | Note | 2017 ----- Rupees in '000 ----- | 2016 |
|--|-------------|------------------------------------|---------------|
| 29.2 Auditors' remuneration | | | |
| Audit fee - Pakistan | | 1,450 | 1,450 |
| Audit fee - Bahrain | | 2,030 | - |
| Half-yearly review | | 500 | 500 |
| Special certification and sundry advisory services | | 5,910 | 4,770 |
| Taxation services | | 190 | 190 |
| Out of pocket expenses and sales tax on services | | 1,480 | 1,397 |
| | 29.2.1 | 11,560 | 8,307 |
| 29.2.1 Geographical analysis | | | |
| Pakistan | | 7,575 | 8,307 |
| Bahrain | | 3,985 | - |
| | | 11,560 | 8,307 |
| 30. OTHER CHARGES | | | |
| Penalties imposed by State Bank of Pakistan | | 12,833 | 31,030 |
| Provision for Sindh Workers' Welfare Fund | 19.3 & 30.1 | 32,411 | 67,799 |
| Others | | 497 | 370 |
| | | 45,741 | 99,199 |

30.1 Provision held at 2% of the higher of profit before tax or taxable income under Sindh Workers' Welfare Act, 2014.

| | 2017 ----- Rupees in '000 ----- | 2016 |
|---|------------------------------------|--------------------|
| 31. TAXATION | | |
| 31.1 Relationship between income tax expense and accounting profit | | |
| Profit before taxation | 1,620,564 | 3,389,936 |
| Tax on income @ 35% (2016: 35%) | (566,854) | (1,186,478) |
| Effect of permanent differences | (4,947) | (11,201) |
| Effects of prior year deferred taxation | 35,602 | 9,159 |
| Effects of prior year current taxation | (111,216) | (124,800) |
| Tax charge for the year | (647,415) | (1,313,320) |

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

31.2 Income Tax

The Bank has filed income tax returns under Section 114 of the Income Tax Ordinance, 2001 for the tax years 2008 through 2017. The said returns so filed were deemed to have been assessed in terms of the returns filed under the provisions of prevailing income tax laws as applicable in Pakistan. However, the Officers of Inland Revenue Services (OIR) conducted the proceedings for making certain amendments in the deemed assessments for tax years 2008 to 2015. This was done by taking recourse of conducting tax audit or alternatively a direct amendment in the assessment contending that certain matters in the deemed assessments were not admissible as not conforming to the law and prejudiced the interest of revenue.

Based on the amended assessments in tax year 2008 to tax year 2014, the department has made certain dis-allowances of expenses and tax deductible claims besides creating minimum tax and Workers' Welfare Fund liabilities in the tax years 2010 & 2011 and tax years 2009 & 2012 respectively.

In respect of WWF, the Supreme Court of Pakistan has held that the amendments in the WWF Ordinance through Finance Act, 2006 and 2008 were not validly made. Accordingly, as of now the Bank's contention is mandated and it is likely that its pending appeals in this will be decided favorably. As a consequence of introduction of Sindh Workers' Welfare Fund Act, the Bank is required to pay WWF to Sindh Revenue Board effective from tax year 2015. The Bank has filed petition before the High Court of Sindh to contest applicability of SWWF in its case who has granted stay against recovery of SWWF from the Bank.

For tax year 2008, CIRA has admitted the contention of the Bank that the amended order is barred by time and decided that any addition made in impugned order is annulled and not required to be further adjudicated. However, the department has filed an appeal against the decision of CIRA in ATIR where it is pending for hearing and decision.

For tax year 2009-2015, the Bank has not accepted the amendments and have filed appeals before the Commissioner Inland Revenue-Appeals (the CIRA). With regard to appeals filed for tax year 2009 to 2014, the CIRA has decided the appeals accepting the Bank's contentions in respect of significant issues. Whereas, the contentious matter of levy of workers welfare fund and disallowance of amortization claim of goodwill have been decided in favor of department. However, the Bank is contesting the matters in further appeals before Appellate Tribunal Inland Revenue (ATIR) which are pending for hearing. Appeal for tax year 2015 is filed before CIRA subsequent to year end, where it is pending for hearing and decision.

Further for the tax year 2013, the ATIR has decided appeal filed by tax department in respect of calculating the amount of provisions against advances as allowable under Rule 1(c) of Seventh Schedule to the Income Tax Ordinance, 2001 and has maintained the CIRA decision that the allowability of provision for advances to be calculated at 1% of gross amount of advances as against the tax department contention that the same is to be calculated on net advances after deducting the amount of provisions created and allowed against advances.

The matter of allowability of amortization relating to goodwill is contentious issue, therefore based on the opinion of lawyer there are arguments available to contend that goodwill on merger is a tax claimable deduction. Especially in the recent decision given by the High Court of Sindh in the case of merger of other bank in Pakistan where the court has ruled favorably that goodwill generated in merger is 'intangible' and amortization relating to goodwill is allowable deduction.

The management of Bank is confident that the appeals filed on various forums in respect of the above matters will be decided in the Bank's favor and accordingly no demand for payment would arise.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

31.3 Withholding tax monitoring

Withholding tax monitoring was initiated against the Bank for tax year 2015 and an order has been passed against which appeal is filed before CIRA which is pending for hearing.

31.4 Sales tax

The Bank as a registered person under Sindh Sales Tax on Services Act, 2011 has been issued a Sales Tax Order from the Sindh Revenue Board (SRB) creating a demand of Rs.48.838 million (besides Rs.4.440 million is charged as penalty) against the Bank for allegedly non-payment of Sindh sales tax on certain 'presumed non-taxable services / incomes' amounting to Rs.277.488 million for the tax periods from July 2011 to December 2013. The issue is common amongst the banking industry. An appeal was filed by the Bank before Commissioner SRB (Appeals) which has been decided in favor of the tax department except tax imposed on FX gain on Western Union remittance. The Bank and tax department have filed appeals before Appellate Tribunal which are pending for hearing.

The management of Bank is confident that the appeals filed in respect of the above matter will be decided in the Bank's favor and accordingly no demand for payment would arise.

31.5 Azad Jammu & Kashmir Operations

The Bank has commenced operations in Azad Jammu & Kashmir from tax year 2009 and has filed returns for the tax years 2009 to 2017 with the tax authorities of such region. The Commissioner has issued notices for amendment of assessment under section 122 of the Income Tax Ordinance, 2001 (as adopted in AJK Region) for the tax year 2011 to 2016. All assessments orders are rectified and no additional demand has been raised.

| | Note | 2017 | 2016 |
|---|------|----------------------------|----------------------|
| | | ----- Rupees in '000 ----- | |
| 32. EARNINGS PER SHARE - BASIC AND DILUTED | | | |
| Profit after taxation for the year - attributable to ordinary equity holders of the Bank for diluted earnings | | 973,149 | 2,076,616 |
| Preference dividend paid for the year ended December 31, 2016 @ 12% p.a (2015: @ 12% p.a.) | 32.1 | (180,000) | (180,000) |
| Profit after taxation for the year - attributable to ordinary equity holders of the Bank for basic earnings | | <u>793,149</u> | <u>1,896,616</u> |
| | | ----- Numbers ----- | |
| Weighted average number of basic outstanding ordinary shares during the year | | <u>1,072,464,262</u> | <u>1,072,464,262</u> |
| Weighted average number of diluted outstanding ordinary shares during the year | | <u>1,072,464,262</u> | <u>1,297,464,262</u> |
| | | ----- Rupee(s) ----- | |
| Basic earnings per share | | <u>0.74</u> | 1.77 |
| Diluted earnings per share | 32.2 | <u>0.74</u> | 1.60 |

Notes to the Unconsolidated Financial Statements

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32.1 The shareholders of the Bank in their meeting held on March 29, 2017 approved non-cumulative preference dividend of Rs.180 million (2016: Rs.180 million) for the preference shareholders. Since it was not recognised as a liability at reporting period as of December 31, 2016 due to non-adjusting event in accordance with International Accounting Standard - IAS 10 "Events after the Reporting Period", the basic earnings per share of the current period has been adjusted accordingly.

32.2 In 2017, the diluted earnings per share increases when taking the convertible preference shares into account, therefore the convertible preference shares are anti-dilutive and are excluded from the weighted average number of ordinary shares for the purpose of diluted earnings per share.

| | Note | 2017 ----- Rupees in '000 ----- | 2016 |
|--|------|------------------------------------|-------------------|
| 33. CASH AND CASH EQUIVALENTS | | | |
| Cash and balances with treasury banks | 7 | 17,333,788 | 15,508,968 |
| Balances with other banks | 8 | 1,034,266 | 752,710 |
| Overdrawn nostro accounts | 15.2 | (198,996) | (40,528) |
| | | 18,169,058 | 16,221,150 |
| 34. STAFF STRENGTH | | | |
| Permanent | | 3,099 | 2,336 |
| Contractual basis | | 1,421 | 336 |
| Bank's own staff strength at the end of the year | | 4,520 | 2,672 |
| Third party contract | | 478 | 1,491 |
| | | 4,998 | 4,163 |
| 35. DEFINED BENEFIT PLAN | | | |
| 35.1 General description | | | |

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

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

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

- Salary increase risk:

This is a risk to the Bank, because the benefits are based on the final salary, if the final salary is higher it will impacts the liability accordingly.

- Discount rate risk

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

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

- **Withdrawal risk:**
This is the risk that actual withdrawals experience is different than expected and will impact the obligation accordingly.
- **Longevity Risk**
This is the risk that actual lifetime of retirees is longer than expectation. The risk is measured at plan level over the entire population.
- **Investment risk**
This is the risk that the assets are under-performing and are not sufficient to meet the liabilities.
- **Maturity profile**
The weighted average duration of the defined benefit obligation works out to 11 years.

35.3 Number of employees under the schemes

The number of employees covered under defined benefit scheme is 3,095 (2016: 2,325).

35.4 Principal actuarial assumptions

Principal actuarial assumptions at the end of the reporting period expressed as weighted averages. The actuarial valuations were carried out on December 31, 2017 based on the Projected Unit Credit Method, using the following significant assumptions:

| | | 2017 | 2016 |
|--|-----------|---|---|
| Valuation discount rate for year end obligation | per annum | 9.50% | 8.00% |
| Valuation discount rate for interest cost for the year | per annum | 8.00% | 9.00% |
| Expected return on plan assets | per annum | 9.50% | 8.00% |
| Future salary increase rate | per annum | 10.50% | 9.00% |
| Effective duration of the discounted future cash flows | years | 11 | 9.31 |
| Normal retirement age | years | 60 | 60 |
| Withdrawal rates | | Moderate | Moderate |
| Mortality rates | | SLIC 2001-2005, Setback 1 Year | SLIC 2001-2005, Setback 1 Year |

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For the year ended December 31, 2017

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

| | Defined benefit obligations | | Fair value of plan assets | | Net defined benefit liability / (asset) | |
|---|-----------------------------|----------------|---------------------------|----------------|---|----------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | ----- Rupees in '000 ----- | | | | | |
| Balance as at January 01 | 367,635 | 235,572 | 249,327 | 171,567 | 118,308 | 64,005 |
| Included in profit or loss | | | | | | |
| Current service cost | 84,931 | 58,437 | - | - | 84,931 | 58,437 |
| Interest cost / income | 29,076 | 21,022 | 24,431 | 18,142 | 4,645 | 2,880 |
| | 114,007 | 79,459 | 24,431 | 18,142 | 89,576 | 61,317 |
| Included in other comprehensive income | | | | | | |
| Actuarial gains / losses arising from: | | | | | | |
| - financial assumptions | 611 | 31,859 | (10,273) | (393) | 10,884 | 32,252 |
| - experience adjustments | 74,658 | 24,739 | - | - | 74,658 | 24,739 |
| | 75,269 | 56,598 | (10,273) | (393) | 85,542 | 56,991 |
| Other movements | | | | | | |
| Contribution made during the year | - | - | 118,308 | 64,005 | (118,308) | (64,005) |
| Benefits paid / payable during the year | (6,182) | (3,994) | (6,182) | (3,994) | - | - |
| | (6,182) | (3,994) | 112,126 | 60,011 | (118,308) | (64,005) |
| Balance as at December 31 | 550,729 | 367,635 | 375,611 | 249,327 | 175,118 | 118,308 |

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

| | Note | Cost | | Fair value of plan assets | | |
|---------------------------|--------|----------------|----------------|---------------------------|----------------|-------------|
| | | 2017 | 2016 | 2017 | 2016 | 2017 |
| | | Rupees in '000 | | Rupees in '000 | Percentage | |
| Cash and cash equivalents | | 9,146 | 13,298 | 9,146 | 13,298 | 2.4% |
| Debt securities | 35.6.1 | 368,046 | 223,111 | 366,465 | 236,029 | 97.6% |
| | | 377,192 | 236,409 | 375,611 | 249,327 | 100% |

35.6.1 This represents investments held in Pakistan Investment Bonds (PIBs) and Term Finance Certificates (TFCs). The fair values of these securities are determined based on quoted market prices in active markets.

35.7 Maturity profile

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

| | Up to one year | Over 1-2 years | Over 2-5 years | Over 6-10 years | Over 10 and above years | Total |
|--|----------------------------|----------------|----------------|-----------------|-------------------------|------------------|
| | ----- Rupees in '000 ----- | | | | | |
| Balance as at December 31, 2017 | 17,411 | 21,450 | 130,589 | 469,756 | 9,092,944 | 9,732,150 |

35.8 Sensitivity analysis

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

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| Particulars | Rate | Present value | Fair value of | Net defined |
|--------------------------|-------------------------------------|-------------------------------------|---------------|----------------------|
| | | of defined benefit obligation | plan assets | benefit liability |
| | | ----- Rupees in '000 ----- | | |
| Current results | - | 550,729 | 375,611 | 175,118 |
| Discount rate | | | | |
| 1% Increase | 10.5% | 493,611 | 375,611 | 118,000 |
| 1% Decrease | 8.5% | 612,313 | 375,611 | 236,702 |
| Salary Rate | | | | |
| 1% Increase | 10.5% | 612,313 | 375,611 | 236,702 |
| 1% Decrease | 8.5% | 492,727 | 375,611 | 117,116 |
| Withdrawal rate | | | | |
| 10% Increase | Moderate + one year | 532,944 | 375,611 | 157,333 |
| 10% Decrease | Moderate - one year | 565,531 | 375,611 | 189,920 |
| Mortality rate | | | | |
| One year age set back | Adjusted SLIC 2001-05 - one year | 549,331 | 375,611 | 173,720 |
| One year age set forward | Adjusted SLIC 2001-05 + one year | 547,637 | 375,611 | 172,026 |

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

35.9 Experience Adjustments

The re-measurement gains / losses arise due to actual experience varying from the actuarial assumptions for the year.

| Particulars | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|----------------------------|----------------|---------------|---------------|--------------|
| | ----- Rupees in '000 ----- | | | | |
| Defined benefit obligation | 550,729 | 367,635 | 235,572 | 154,368 | 116,676 |
| Fair value of plan assets | (375,611) | (249,327) | (171,567) | (133,019) | (115,387) |
| Net defined benefit liability | <u>175,118</u> | <u>118,308</u> | <u>64,005</u> | <u>21,349</u> | <u>1,289</u> |
| Re-measurement loss / (gain) on obligation | 75,269 | 56,598 | 12,774 | 3,493 | (740) |
| Re-measurement loss / (gain) on plan assets | 10,273 | 393 | (3,104) | 3,655 | 2,408 |
| Other comprehensive income | <u>85,542</u> | <u>56,991</u> | <u>9,670</u> | <u>7,148</u> | <u>1,668</u> |

35.10 The average duration of the payment of benefit obligation at December 31, 2017 is with in one year.

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35.11 The Bank contributes to the gratuity fund as per actuarial's expected charge for the next financial year. Based on actuarial advice and management estimates, the charge in respect of defined benefit obligation for the next one year works out to be Rs.123.419 million. The amount of re-measurements to be recognised in other comprehensive income for year ending December 31, 2017 will be worked out as at the next valuation.

36. DEFINED CONTRIBUTION PLAN

The Bank operates a contributory provident fund for all permanent employees. The employer and employee both contribute 7.1% of the basic salaries (2016: 7.1% of the basic salaries) to the funded scheme every month. Number of employees covered under this plan are 2,481 (2016: 1,870). During the year, employees made a contribution of Rs.137.05 million (2016: Rs.101.438 million) to the fund. The Bank has also made a contribution of equal amount to the fund.

37. COMPENSATION OF DIRECTORS AND EXECUTIVES

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

| | President and CEO | | Non-executive directors | | Executives | |
|-------------------------------------|----------------------------|--------|-------------------------|--------|------------|-----------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Note | ----- Rupees in '000 ----- | | | | | |
| Managerial remuneration | 19,636 | 17,727 | - | - | 1,802,041 | 1,317,938 |
| Defined contribution plan | - | - | - | - | 111,251 | 80,626 |
| Charge for defined benefit plan | - | - | - | - | 101,468 | 70,982 |
| Medical allowance | 1,964 | 1,773 | - | - | 180,204 | 131,794 |
| Conveyance and vehicle maintenance | - | - | - | - | 109,077 | 83,219 |
| Performance bonus | 20,000 | 20,000 | - | - | 336,810 | 278,485 |
| Fees, allowances and other expenses | - | - | 13,000 | 14,751 | - | - |
| | 41,600 | 39,500 | 13,000 | 14,751 | 2,640,851 | 1,963,044 |
| Number of persons | 1 | 1 | 8 | 8 | 1,400 | 1,025 |

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

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

Notes to the Unconsolidated Financial Statements

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38. FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS 13 "Fair Value Measurement" defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 6.6.1 to these unconsolidated financial statements.

The repricing profile, effective rates and maturity are stated in note 42.3.4 to these financial statements.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short term in nature or in the case of customer loans and deposits are frequently repriced.

Fair value hierarchy

IFRS 13 requires the Bank to classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has following levels:

- Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3:** Unobservable inputs for the asset or liability.

38.1 Valuation techniques used in determination of fair values

| Item | Valuation approach and input used |
|---|--|
| Units of mutual funds | Fair values of investments in units of mutual funds are determined based on redemption prices disclosed at the Mutual Funds Association of Pakistan (MUFAP) as at the close of the business days. |
| Shares of listed companies | Fair values of investments in listed equity securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange. |
| "Pakistan Investment Bonds / Market Treasury Bills" | Fair values of Pakistan Investment Bonds and Market Treasury Bills are derived using PKRV rates (Reuters page). |
| Term Finance Certificates and Bonds | Investments in debt securities (comprising Term Finance Certificates, Bonds and any other security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital) are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the SECP. |
| Derivatives | The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant underlying parameters including foreign currency involved, interest rates, yield curves, volatilities, contracts duration, etc. |

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38.2 The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

| | As at December 31, 2017 | | | |
|---|----------------------------|-------------|-----------|-------------|
| | Level 1 | Level 2 | Level 3 | Total |
| | ----- Rupees in '000 ----- | | | |
| On balance sheet financial instruments | | | | |
| Items carried at fair value | | | | |
| Financial assets classified as 'held-for-trading securities' | | | | |
| Government Securities | | | | |
| Market treasury bills | - | 7,761,553 | - | 7,761,553 |
| Pakistan investment bonds | - | 707,598 | - | 707,598 |
| | - | 8,469,151 | - | 8,469,151 |
| Financial assets classified as 'available-for-sale securities' | | | | |
| Government Securities | | | | |
| Market treasury bills | - | 14,492,712 | - | 14,492,712 |
| Pakistan investment bonds | - | 93,429,759 | - | 93,429,759 |
| | - | 107,922,471 | - | 107,922,471 |
| Ordinary shares of listed companies | 3,546,572 | - | - | 3,546,572 |
| Foreign currency bonds | - | 4,350,638 | - | 4,350,638 |
| | 3,546,572 | 120,742,260 | - | 124,288,832 |
| Non-Financial Assets | | | | |
| Operating fixed assets (Lease hold lands and buildings) | - | - | 2,439,249 | 2,439,249 |
| Non banking asset under satisfaction of claims | - | - | 203,339 | 203,339 |
| | 3,546,572 | 120,742,260 | 2,642,588 | 126,931,420 |
| Off balance sheet financial instruments | | | | |
| Forward government securities | | | | |
| Purchase | - | 1,495,823 | - | 1,495,823 |
| Sale | - | 116,000 | - | 116,000 |
| Forward exchange contracts | | | | |
| Purchase | - | 6,851,332 | - | 6,851,332 |
| Sale | - | 5,061,071 | - | 5,061,071 |
| Cross currency swaps (notional principal) | - | 4,489,958 | - | 4,489,958 |
| Options (notional principal) | - | 2,426,276 | - | 2,426,276 |

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| | As at December 31, 2016 | | | |
|---|----------------------------|-------------|---------|-------------|
| | Level 1 | Level 2 | Level 3 | Total |
| | ----- Rupees in '000 ----- | | | |
| On balance sheet financial instruments | | | | |
| Items carried at fair value | | | | |
| Financial assets classified as 'held-for-trading securities' | | | | |
| Government Securities | | | | |
| Market treasury bills | - | 65,758,485 | - | 65,758,485 |
| Financial assets classified as 'available-for-sale securities' | | | | |
| Government Securities | | | | |
| Market treasury bills | - | 4,884,060 | - | 4,884,060 |
| Pakistan investment bonds | - | 49,834,951 | - | 49,834,951 |
| | - | 54,719,011 | - | 54,719,011 |
| Ordinary shares of listed companies | 4,291,093 | - | - | 4,291,093 |
| Open end mutual funds | - | 97,157 | - | 97,157 |
| Foreign currency bonds | - | 5,714,939 | - | 5,714,939 |
| | 4,291,093 | 126,289,592 | - | 130,580,685 |
| Non-Financial Assets | | | | |
| Non banking asset under satisfaction of claims | - | - | 175,808 | 175,808 |
| | 4,291,093 | 126,289,592 | 175,808 | 130,756,493 |
| Off balance sheet financial instruments | | | | |
| Forward government securities | | | | |
| Purchase | - | 3,988,403 | - | 3,988,403 |
| Sale | - | 4,996,791 | - | 4,996,791 |
| Forward exchange contracts | | | | |
| Purchase | - | 9,816,883 | - | 9,816,883 |
| Sale | - | 9,977,367 | - | 9,977,367 |
| Cross currency swaps (notional principal) | - | 1,758,882 | - | 1,758,882 |

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39. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

| | 2017 | | | | | | |
|--|----------------------------|-------------------|----------------|--------------------|------------------------|-------------|--------------|
| | Corporate finance | Trading and sales | Retail banking | Commercial banking | Payment and settlement | Others | Total |
| | ----- Rupees in '000 ----- | | | | | | |
| Total income - external | 460,281 | 11,856,298 | 4,627,752 | 7,224,520 | 188,534 | 75,126 | 24,432,511 |
| Inter-segment revenues - net | - | (8,720,051) | 8,416,392 | 303,659 | - | - | - |
| Total income | 460,281 | 3,136,247 | 13,044,144 | 7,528,179 | 188,534 | 75,126 | 24,432,511 |
| Total expenses | (96,476) | (2,152,942) | (12,373,591) | (7,207,277) | (81,791) | (574,025) | (22,486,102) |
| Provisions | - | (295,623) | (6,111) | (24,111) | - | - | (325,845) |
| Current taxation | - | - | - | - | - | (515,275) | (515,275) |
| Prior years | - | - | - | - | - | (73,298) | (73,298) |
| Deferred tax | - | - | - | - | - | (58,842) | (58,842) |
| Net income / (loss) | 363,805 | 687,682 | 664,442 | 296,791 | 106,743 | (1,146,314) | 973,149 |
| Segment assets (gross) | - | 187,440,326 | 82,645,783 | 108,870,958 | - | 13,118,287 | 392,075,354 |
| Segment non performing assets | - | 1,622,691 | 613,448 | 2,644,549 | - | 10,861 | 4,891,549 |
| Segment provision required | - | (1,071,851) | (283,887) | (2,355,075) | - | (55,665) | (3,766,478) |
| Segment liabilities | - | 57,126,105 | 219,370,286 | 83,137,017 | 3,824,278 | 8,181,861 | 371,639,547 |
| Segment return on net assets (ROA) (%) | | 6.34% | 8.26% | 7.43% | | | |
| Segment cost of funds (%) | | 6.30% | 3.94% | 4.68% | | | |
| | ----- | | | | | | |
| | 2016 | | | | | | |
| | Corporate finance | Trading and sales | Retail banking | Commercial banking | Payment and settlement | Others | Total |
| | ----- Rupees in '000 ----- | | | | | | |
| Total income - external | 227,441 | 12,093,862 | 3,280,867 | 4,137,521 | 162,775 | 39,818 | 19,942,284 |
| Inter-segment revenues - net | - | (5,688,503) | 5,267,564 | 420,939 | - | - | - |
| Total income | 227,441 | 6,405,359 | 8,548,431 | 4,558,460 | 162,775 | 39,818 | 19,942,284 |
| Total expenses | (27,004) | (1,995,985) | (8,931,035) | (4,262,553) | (81,974) | (902,374) | (16,200,925) |
| Provisions | - | (415,027) | (104,085) | 167,689 | - | - | (351,423) |
| Current taxation | - | - | - | - | - | (1,030,882) | (1,030,882) |
| Prior years | - | - | - | - | - | (96,422) | (96,422) |
| Deferred tax | - | - | - | - | - | (186,016) | (186,016) |
| Net income / (loss) | 200,437 | 3,994,347 | (486,689) | 463,596 | 80,801 | (2,175,876) | 2,076,616 |
| Segment assets (gross) | - | 157,133,847 | 37,737,239 | 63,853,911 | - | 9,594,518 | 268,319,515 |
| Segment non performing assets | - | 1,125,952 | 315,703 | 3,012,239 | - | 10,861 | 4,464,755 |
| Segment provision required | - | (948,820) | (181,830) | (2,477,511) | - | (10,861) | (3,619,022) |
| Segment liabilities | - | 3,040,528 | 156,713,850 | 79,664,600 | 2,544,028 | 6,087,962 | 248,050,968 |
| Segment return on net assets (ROA) (%) | | 7.91% | 8.22% | 7.72% | | | |
| Segment cost of funds (%) | | 5.90% | 4.02% | 5.48% | | | |

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40. RELATED PARTY TRANSACTIONS

The Bank has related party relationship with its associates, parent, subsidiaries, companies having common directors, companies in which parent holds more than 20% shares, employee benefit plans, and its key management personnel (including their associates). The details of investments in subsidiaries and associates are stated in note 10.2.10 to these unconsolidated financial statements.

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

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

| | December 31, 2017 | | | | |
|---|----------------------------|--------------------------|--------------------------|-------------------|--------------------------|
| | Opening balance | Disbursements / deposits | Repayments / withdrawals | Closing balance | Mark-up earned / expense |
| | ----- Rupees in '000 ----- | | | | |
| Advances | | | | | |
| Key management personnel | 478,064 | 426,791 | (196,488) | 708,367 | 27,865 |
| Subsidiary companies | - | 1,600,000 | (1,600,000) | - | 999 |
| Companies having common directorship | 5,673 | - | (2,276) | 3,397 | 171 |
| Parent company holds 20% or more | 437,564 | 1,230,400 | (1,488,289) | 179,675 | 22,262 |
| Other related parties | 1,300,223 | 4,120,420 | (3,483,515) | 1,937,128 | 183,087 |
| Total | 2,221,524 | 7,377,611 | (6,770,568) | 2,828,567 | 234,384 |
| Borrowings | | | | | |
| Parent company holds 20% or more | - | 110,840,000 | (106,840,000) | 4,000,000 | 61,900 |
| Deposits | | | | | |
| Parent | 767,243 | 6,109,040 | (5,373,705) | 1,502,578 | 101,339 |
| Key management personnel | 56,583 | 1,235,286 | (1,224,262) | 67,607 | 2,471 |
| Subsidiary companies | 1,094,276 | 633,323,678 | (632,705,401) | 1,712,553 | 118,350 |
| Companies having common directorship | 956,255 | 36,189,984 | (32,472,240) | 4,673,999 | 163,237 |
| Parent company holds 20% or more | 3,617,557 | 69,326,794 | (69,109,961) | 3,834,390 | 205,565 |
| Other related parties | 3,438,466 | 30,187,288 | (30,831,763) | 2,793,991 | 220,707 |
| Total | 9,930,380 | 776,372,070 | (771,717,332) | 14,585,118 | 811,669 |
| | December 31, 2016 | | | | |
| | Opening balance | Disbursements / deposits | Repayments / withdrawals | Closing balance | Mark-up earned / expense |
| | ----- Rupees in '000 ----- | | | | |
| Advances | | | | | |
| Key management personnel | 395,639 | 279,095 | (196,670) | 478,064 | 19,250 |
| Companies having common directorship | 395,763 | 18,640,900 | (19,030,990) | 5,673 | 92,052 |
| Parent company holds 20% or more | - | 1,155,846 | (718,282) | 437,564 | 25,566 |
| Other related parties | 2,044,664 | 4,576,609 | (5,321,050) | 1,300,223 | 151,306 |
| Total | 2,836,066 | 24,652,450 | (25,266,992) | 2,221,524 | 288,174 |
| Lendings to financial institutions | | | | | |
| Parent company holds 20% or more | - | 700,000 | (700,000) | - | 115 |
| Borrowings | | | | | |
| Parent company holds 20% or more | - | 47,800,000 | (47,800,000) | - | 43,384 |
| Deposits | | | | | |
| Parent | 2,016,612 | 11,429,643 | (12,679,012) | 767,243 | 100,823 |
| Key management personnel | 76,534 | 1,213,860 | (1,233,811) | 56,583 | 2,654 |
| Subsidiary companies | 1,485,323 | 322,996,015 | (323,387,062) | 1,094,276 | 75,047 |
| Companies having common directorship | 1,097,580 | 27,432,054 | (27,573,379) | 956,255 | 64,321 |
| Parent company holds 20% or more | 2,510,501 | 59,785,999 | (58,678,943) | 3,617,557 | 194,164 |
| Other related parties | 2,308,568 | 33,645,004 | (32,515,106) | 3,438,466 | 125,815 |
| Total | 9,495,118 | 456,502,575 | (456,067,313) | 9,930,380 | 562,824 |

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The related party status of outstanding receivables and payables as at December 31, 2017 is included in respective notes to these unconsolidated financial statements. Material transactions with related parties are given below:

| | Subsidiary companies | | Companies having common directorship | | Companies in which parent company holds 20% or more | | Other related parties | | Total | |
|--|----------------------|---------|--------------------------------------|-----------|---|------------|-----------------------|-----------|------------|------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Nature of transactions | | | | | | | | | | |
| Sale of Government Securities | 30,486 | 116,251 | - | 1,721,049 | 68,804,288 | 26,513,047 | 2,563,412 | 1,817,147 | 71,398,186 | 30,167,494 |
| Purchase of Government Securities | 4,078 | 43,136 | - | - | 714,727 | 1,125,937 | 516,586 | 507,494 | 1,235,391 | 1,676,567 |
| Sale of Sukuk | - | - | - | - | 51,197 | 295,977 | - | - | 51,197 | 295,977 |
| Sale of shares / units | - | - | - | - | - | - | - | 102,370 | - | 102,370 |
| Sale of forward foreign exchange contracts | - | - | - | - | 8,846,524 | 12,741,355 | - | - | 8,846,524 | 12,741,355 |
| Purchase of forward foreign exchange contracts | - | - | - | - | 5,725,413 | 6,941,659 | - | - | 5,725,413 | 6,941,659 |
| Rent received / receivable | 3,393 | 3,004 | - | - | - | - | - | - | 3,393 | 3,004 |
| Letter of credit | - | - | 92,267 | 42,688 | - | - | 104,937 | 95,890 | 197,204 | 138,578 |
| Letter of guarantees | - | - | - | - | 517 | - | 1,184 | - | 1,701 | - |
| Rent expense paid / accrued | 6,389 | 3,003 | - | - | - | - | - | - | 6,389 | 3,003 |
| Reimbursement of expenses | 1,998 | 421 | - | - | - | - | 7,703 | 3,233 | 9,701 | 3,654 |
| Expenses incurred on behalf | 1,210 | 1,019 | - | - | - | - | - | - | 1,210 | 1,019 |
| Services rendered | 4,200 | 3,600 | - | - | - | - | - | - | 4,200 | 3,600 |
| Payment to staff benefit plan | - | - | - | - | - | - | - | - | 118,308 | 64,005 |
| Payment to staff contribution plan | - | - | - | - | - | - | - | - | 137,059 | 101,438 |
| Remuneration of key management personnel | - | - | - | - | - | - | - | - | 517,295 | 429,797 |
| Director fees and allowances | - | - | - | - | - | - | 13,000 | 14,750 | 13,000 | 14,750 |
| Insurance claimed received | - | - | - | - | 23,352 | 10,621 | - | - | 23,352 | 10,621 |
| Insurance premium paid | - | - | - | - | 161,712 | 104,398 | 53,042 | 46,316 | 214,754 | 150,714 |
| Commission paid / accrued | 2,180 | 2,177 | - | - | - | - | - | - | 2,180 | 2,177 |
| Commission income | 4,057 | - | 23,526 | 72 | 151,169 | 80,721 | 17,676 | 96 | 196,428 | 80,889 |
| Dividend income | 26,118 | - | - | - | 57,864 | 35,850 | 20,641 | 21,809 | 104,623 | 57,659 |
| Advisory fee | - | - | - | - | - | - | 42,000 | 36,000 | 42,000 | 36,000 |
| Preference dividend paid | - | - | - | - | - | - | 1,479 | 1,479 | 1,479 | 1,479 |
| Services received | - | - | - | - | - | - | 514 | 586 | 514 | 586 |

Parent company

2017

2016

--- Rupees in '000 ---

Nature of transactions

| | | |
|-----------------------------|---------|---------|
| Rent expense paid / accrued | 1,524 | 1,398 |
| Reimbursement of expenses | 6,844 | 7,363 |
| Preference dividend paid | 174,450 | 174,450 |

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41. CAPITAL ASSESSMENT AND ADEQUACY

41.1 Scope of Application

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

41.2 Capital Structure- Basel III

Bank's regulatory capital is analyzed into two tiers:

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

- a. Common equity Tier I which includes fully issued, subscribed and paid up capital, balance in share premium account, reserve for bonus issue, general reserves as per the financial statements and net un-appropriated profits etc. after deductions of investments in equity of subsidiary companies engaged in banking and financial activities, goodwill & other intangible assets and deficit on revaluation of available for sale investments due to insufficiency of Additional Tier I and Tier II to cover deductions.
- b. Additional Tier I which includes Instruments issued in the form of perpetual non-cumulative preference shares by the banks, share premium resulting from the issuance of the instruments after deduction of goodwill & other intangible assets, deficit on revaluation of available for sale investments and deferred tax assets.

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

41.3 Capital Adequacy

Capital Management

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

Statutory Minimum Capital Requirement (MCR) and Capital Adequacy Ratio (CAR)

The State Bank of Pakistan (SBP) through its BSD Circular no. 7 dated April 15, 2009 require Banks / Development Financial Institutions (DFIs) to raise and maintain their paid up capital (net of losses) equivalent to Rs.10 billion. The paid-up capital (free of losses) of the Bank as at December 31, 2017 stood at Rs.10.119 billion including un-listed, convertible, irredeemable, perpetual, non-cumulative, non-voting preference shares of Rs.1.5 billion. In addition banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 11.28% of their risk weighted exposure. The Bank's CAR as at December 31, 2017 was approximately 11.95% of its risk weighted assets.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

Basel III transition

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

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

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

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

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

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For the year ended December 31, 2017

Note 41.4 Capital Adequacy Ratio (CAR) disclosure:

CAPITAL ADEQUACY RETURN AS OF DECEMBER 31, 2017

| | 2017 | 2016 |
|---|----------------------------|----------------------------|
| | ----- Rupees in '000 ----- | ----- Rupees in '000 ----- |
| | Amount | Amount |
| Common Equity Tier 1 capital (CET1): Instruments and reserves | | |
| 1 Fully Paid-up Capital/ Capital deposited with SBP | 10,724,643 | 10,724,643 |
| 2 Balance in Share Premium Account | - | - |
| 3 Reserve for issue of Bonus Shares | - | - |
| 4 Discount on Issue of shares | (2,105,401) | (2,105,401) |
| 5 General/ Statutory Reserves | 1,540,988 | 1,334,139 |
| 6 Gain/(Losses) on derivatives held as Cash Flow Hedge | - | - |
| 7 Unappropriated/unremitted profits/ (losses) | 4,518,821 | 3,973,324 |
| 8 Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group) | - | - |
| 9 CET 1 before Regulatory Adjustments | 14,679,051 | 13,926,705 |
| 10 Total regulatory adjustments applied to CET1 (Note 41.4.1) | 1,636,376 | 1,861,897 |
| 11 Common Equity Tier 1 | 13,042,675 | 12,064,808 |
| Additional Tier 1 (AT 1) Capital | | |
| 12 Qualifying Additional Tier-1 capital instruments plus any related share premium | | |
| 13 of which: Classified as equity | 1,500,000 | 1,500,000 |
| 14 of which: Classified as liabilities | - | - |
| 15 Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1) | - | - |
| 16 of which: instrument issued by subsidiaries subject to phase out | - | - |
| 17 AT1 before regulatory adjustments | 1,500,000 | 1,500,000 |
| 18 Total regulatory adjustment applied to AT1 capital (Note 41.4.2) | 191,912 | 383,824 |
| 19 Additional Tier 1 capital after regulatory adjustments | 1,308,088 | 1,116,176 |
| 20 Additional Tier 1 capital recognized for capital adequacy | 1,308,088 | 1,116,176 |
| 21 Tier 1 Capital (CET1 + admissible AT1) (11+20) | 14,350,763 | 13,180,984 |
| Tier 2 Capital | | |
| 22 Qualifying Tier 2 capital instruments under Basel III plus any related share premium | 4,998,800 | 3,000,000 |
| 23 Tier 2 capital instruments subject to phaseout arrangement issued under pre-Basel 3 rules | | |
| 24 Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2) | - | - |
| 25 of which: instruments issued by subsidiaries subject to phase out | - | - |
| 26 General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets | 100,352 | 40,988 |
| 27 Revaluation Reserves (net of taxes) | | |
| 28 of which: Revaluation reserves on fixed assets | 421,450 | - |
| 29 of which: Unrealized gains/losses on AFS | (69,695) | 889,943 |
| 30 Foreign Exchange Translation Reserves | | |
| 31 Undisclosed/Other Reserves (if any) | | |
| 32 T2 before regulatory adjustments | 5,450,906 | 3,930,931 |
| 33 Total regulatory adjustment applied to T2 capital (Note 41.4.3) | 191,912 | 390,627 |
| 34 Tier 2 capital (T2) after regulatory adjustments | 5,258,994 | 3,540,304 |
| 35 Tier 2 capital recognized for capital adequacy | 4,592,639 | 3,540,304 |
| 36 Portion of Additional Tier 1 capital recognized in Tier 2 capital | - | - |
| 37 Total Tier 2 capital admissible for capital adequacy | 4,592,639 | 3,540,304 |
| 38 TOTAL CAPITAL (T1 + admissible T2) (21+37) | 18,943,402 | 16,721,288 |
| 39 Total Risk Weighted Assets (RWA) (for details refer Note 41.7) | 158,457,703 | 118,992,435 |
| Capital Ratios and buffers (in percentage of risk weighted assets) | | |
| 40 CET1 to total RWA | 8.23% | 10.14% |
| 41 Tier-1 capital to total RWA | 9.06% | 11.08% |
| 42 Total capital to total RWA | 11.95% | 14.05% |
| 43 Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement) | 7.275% | 6.65% |
| 44 of which: capital conservation buffer requirement | 1.275% | 0.65% |
| 45 of which: countercyclical buffer requirement | 0.00% | 0.00% |
| 46 of which: D-SIB or G-SIB buffer requirement | 0.00% | 0.00% |
| 47 CET1 available to meet buffers (as a percentage of risk weighted assets) | 8.23% | 10.14% |
| National minimum capital requirements prescribed by SBP | | |
| 48 CET1 minimum ratio | 7.275% | 6.65% |
| 49 Tier 1 minimum ratio | 7.50% | 7.50% |
| 50 Total capital minimum ratio | 11.28% | 10.65% |

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For the year ended December 31, 2017

| Regulatory Adjustments and Additional Information | | 2017 | | 2016 |
|---|--|-----------|---|-----------|
| | | Amount | Rupees in '000 Amounts subject to Pre-Basel III treatment | Amount |
| Note 41.4.1 Common Equity Tier 1 capital: Regulatory adjustments | | | | |
| 1 | Goodwill (net of related deferred tax liability) | 951,356 | - | 951,356 |
| 2 | All other intangibles (net of any associated deferred tax liability) | 513,887 | - | 388,941 |
| 3 | Shortfall in provisions against classified assets | - | - | - |
| 4 | Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability) | - | - | - |
| 5 | Defined-benefit pension fund net assets | - | - | - |
| 6 | Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities | - | - | - |
| 7 | Cash flow hedge reserve | - | - | - |
| 8 | Investment in own shares/ CET1 instruments | - | - | - |
| 9 | Securitization gain on sale | - | - | - |
| 10 | Capital shortfall of regulated subsidiaries | - | - | - |
| 11 | Deficit on account of revaluation from bank's holdings of fixed assets/ AFS | - | - | - |
| 12 | Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) | - | - | 113,919 |
| 13 | Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold) | 171,133 | 597,740 | 407,681 |
| 14 | Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability) | - | - | - |
| 15 | Amount exceeding 15% threshold | - | - | - |
| 16 | of which: significant investments in the common stocks of financial entities | - | - | - |
| 17 | of which: deferred tax assets arising from temporary differences | - | - | - |
| 18 | National specific regulatory adjustments applied to CET1 capital | - | - | - |
| 19 | Investments in TFCs of other banks exceeding the prescribed limit | - | - | - |
| 20 | Any other deduction specified by SBP (mention details) | - | - | - |
| 21 | Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions | - | - | - |
| 22 | Total regulatory adjustments applied to CET1 (sum of 1 to 21) | 1,636,376 | - | 1,861,897 |
| Note 41.4.2 Additional Tier-1 & Tier-1 Capital: regulatory adjustments | | | | |
| 23 | Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment] | - | - | - |
| 24 | Investment in own AT1 capital instruments | - | - | - |
| 25 | Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities | - | - | - |
| 26 | Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) | - | - | - |
| 27 | Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation | - | - | - |
| 28 | Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital | 191,912 | - | 383,824 |
| 29 | Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions | - | - | - |
| 30 | Total regulatory adjustment applied to AT1 capital (sum of 23 to 29) | 191,912 | - | 383,824 |

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

| | 2017 | 2016 |
|---|--|---------------------|
| | ----- Rupees in '000 ----- | ----- |
| | Amount | Amount |
| | Amounts subject to Pre- Basel III treatment | |
| Note 41.4.3 Tier 2 Capital: regulatory adjustments | | |
| 31 | Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital | 191,912 - 383,824 |
| 32 | Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities | - - |
| 33 | Investment in own Tier 2 capital instrument | - - |
| 34 | Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) | - - 6,803 |
| 35 | Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation | - - |
| 36 | Total regulatory adjustment applied to T2 capital (sum of 31 to 35) | 191,912 390,627 |
| Note 41.4.4 Additional Information | | |
| Risk Weighted Assets subject to pre-Basel III treatment | | |
| 37 | Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment) | |
| (i) | of which: deferred tax assets | - - |
| (ii) | of which: Defined-benefit pension fund net assets | - - |
| (iii) | of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity | - 75,946 |
| (iv) | of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity | 426,607 271,787 |
| Amounts below the thresholds for deduction (before risk weighting) | | |
| 38 | Non-significant investments in the capital of other financial entities | - - |
| 39 | Significant investments in the common stock of financial entities | - - |
| 40 | Deferred tax assets arising from temporary differences (net of related tax liability) | - - |
| Applicable caps on the inclusion of provisions in Tier 2 | | |
| 41 | Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap) | 100,352 40,988 |
| 42 | Cap on inclusion of provisions in Tier 2 under standardized approach | 1,767,306 1,288,452 |
| 43 | Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap) | - - |
| 44 | Cap for inclusion of provisions in Tier 2 under internal ratings-based approach | - - |

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

41.5 Capital Structure Reconciliation

Step: 1

| | As Per Balance Sheet | Under regulatory scope of consolidation |
|---|----------------------|---|
| | December 31, 2017 | |
| | Rupees in '000 | |
| Assets | | |
| Cash and balances with treasury banks | 17,333,788 | 17,333,788 |
| Balanced with other banks | 1,034,266 | 1,034,266 |
| Lending to financial institutions | 3,116,199 | 3,116,199 |
| Investments | 169,611,558 | 169,611,558 |
| Advances | 184,139,582 | 184,139,582 |
| Operating fixed assets | 7,112,821 | 7,112,821 |
| Deferred tax assets | - | - |
| Other assets | 5,960,662 | 5,960,662 |
| Total assets | 388,308,876 | 388,308,876 |
| Liabilities & Equity | | |
| Bills payable | 3,824,278 | 3,824,278 |
| Borrowings | 64,557,043 | 64,557,043 |
| Deposits and other accounts | 290,077,566 | 290,077,566 |
| Sub-ordinated loans | 4,998,800 | 4,998,800 |
| Liabilities against assets subject to finance lease | - | - |
| Deferred tax liabilities | 796,803 | 796,803 |
| Other liabilities | 7,385,057 | 7,385,057 |
| Total liabilities | 371,639,547 | 371,639,547 |
| Share capital/ Head office capital account | 10,119,242 | 10,119,242 |
| Reserves | 1,540,988 | 1,540,988 |
| Unappropriated profit | 4,518,820 | 4,518,820 |
| Minority Interest | - | - |
| Surplus on revaluation of assets | 490,279 | 490,279 |
| Total Equity | 16,669,329 | 16,669,329 |
| Total liabilities & equity | 388,308,876 | 388,308,876 |

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

| Step : 2 | As Per Balance Sheet | Under regulatory scope of consolidation | Reference |
|--|----------------------------|--|-----------|
| December 31, 2017 | | | |
| Rupees in '000 | | | |
| Assets | | | |
| Cash and balances with treasury banks | 17,333,788 | 17,333,788 | |
| Balances with other banks | 1,034,266 | 1,034,266 | |
| Lending to financial institutions | 3,116,199 | 3,116,199 | |
| Investments | 169,611,558 | 169,611,558 | |
| of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold | - | - | a |
| of which: significant capital investments in financial sector entities exceeding regulatory threshold | 171,133 | 171,133 | b |
| of which: Mutual Funds exceeding regulatory threshold | - | - | c |
| of which: reciprocal crossholding of capital instrument | - | - | d |
| of which: Investment in TFCs of other banks exceeding the prescribed limit | - | - | e |
| Advances | 184,139,582 | 184,139,582 | |
| shortfall in provisions/ excess of total EL amount over eligible provisions under IRB | - | - | f |
| general provisions reflected in Tier 2 capital | 100,352 | 95,610 | g |
| Fixed Assets | 7,112,821 | 7,112,821 | |
| Deferred Tax Assets | - | - | |
| of which: DTAs excluding those arising from temporary differences | - | - | h |
| of which: DTAs arising from temporary differences exceeding regulatory threshold | - | - | i |
| Other assets | 5,960,662 | 5,960,662 | |
| of which: Goodwill | 951,356 | 953,352 | j |
| of which: Intangibles | 513,887 | 513,887 | k |
| of which: Defined-benefit pension fund net assets | - | - | l |
| Total assets | 388,308,876 | 388,308,876 | |

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

| | As Per Balance Sheet | Under regulatory scope of consolidation | Reference |
|--|----------------------------|--|-----------|
| December 31, 2017 | | | |
| Rupees in '000 | | | |
| Liabilities & Equity | | | |
| Bills payable | 3,824,279 | 3,824,279 | |
| Borrowings | 64,557,043 | 64,557,043 | |
| Deposits and other accounts | 290,077,566 | 290,077,566 | |
| Sub-ordinated loans | 4,998,800 | 4,998,800 | |
| of which: eligible for inclusion in AT1 | - | - | m |
| of which: eligible for inclusion in Tier 2 | - | - | n |
| Liabilities against assets subject to finance lease | - | - | |
| Deferred tax liabilities | 796,803 | 796,803 | |
| of which: DTLs related to goodwill | (512,268) | (512,268) | o |
| of which: DTLs related to intangible assets | - | - | p |
| of which: DTLs related to defined pension fund net assets | - | - | q |
| of which: other deferred tax liabilities | (300,217) | (300,217) | r |
| Other liabilities | 7,385,057 | 7,385,057 | |
| Total liabilities | 371,639,548 | 371,639,548 | |
| Share capital | 10,119,242 | 10,119,242 | |
| of which: amount eligible for CET1 | 8,619,242 | 8,619,242 | s |
| of which: amount eligible for AT1 | 1,500,000 | 1,500,000 | t |
| Reserves | 1,540,988 | 1,540,988 | |
| of which: portion eligible for inclusion in CET1 (provide breakup) | 1,540,988 | 1,540,988 | u |
| of which: portion eligible for inclusion in Tier 2 | - | - | v |
| Unappropriated profit/ (losses) | 4,518,821 | 4,518,821 | w |
| Minority Interest | - | - | |
| of which: portion eligible for inclusion in CET1 | - | - | x |
| of which: portion eligible for inclusion in AT1 | - | - | y |
| of which: portion eligible for inclusion in Tier 2 | - | - | z |
| Surplus on revaluation of assets | 490,279 | 490,279 | |
| of which: Revaluation reserves on Property | - | - | aa |
| of which: Unrealized Gains/Losses on AFS | - | - | ab |
| In case of Deficit on revaluation (deduction from CET1) | - | - | |
| Total liabilities & Equity | 388,308,878 | 388,308,878 | |

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

| | Component of regulatory capital reported by bank | Reference |
|--|--|-------------------|
| | Rupees in '000 | |
| Common Equity Tier 1 capital (CET1): Instruments and reserves | | |
| Fully Paid-up Capital/ Capital deposited with SBP | 10,724,643 | (s) |
| Balance in Share Premium Account | - | |
| Reserve for issue of Bonus Shares | - | |
| Discount on issue of Shares (enter negative number) | (2,105,401) | |
| General/ Statutory Reserves | 1,540,988 | (u) |
| Gain/(Losses) on derivatives held as Cash Flow Hedge | - | |
| Unappropriated/unremitted profits/(losses) | 4,518,821 | (w) |
| Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group) | - | (x) |
| | 14,679,051 | |
| CET 1 before Regulatory Adjustments | | |
| Common Equity Tier 1 capital: Regulatory adjustments | | |
| Goodwill (net of related deferred tax liability) | 951,356 | (j) - (o) |
| All other intangibles (net of any associated deferred tax liability) | 513,887 | (k) - (p) |
| Shortfall of provisions against classified assets | - | (f) |
| Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability) | - | {(h) - (r)} * x% |
| Defined-benefit pension fund net assets | - | {(l) - (q)} * x% |
| Reciprocal cross holdings in CET1 capital instruments | - | (d) |
| Cash flow hedge reserve | - | |
| Investment in own shares/ CET1 instruments | - | |
| Securitization gain on sale | - | |
| Capital shortfall of regulated subsidiaries | - | |
| Deficit on account of revaluation from bank's holdings of property/ AFS | - | (ab) |
| Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) | - | (a) - (ac) - (ae) |
| Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold) | 171,133 | (b) - (ad) - (af) |
| Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability) | - | (i) |
| Amount exceeding 15% threshold | - | |
| of which: significant investments in the common stocks of financial entities | - | |
| of which: deferred tax assets arising from temporary differences | - | |
| National specific regulatory adjustments applied to CET1 capital | - | |
| Investment in TFCs of other banks exceeding the prescribed limit | - | |
| Any other deduction specified by SBP (mention details) | - | |
| Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions | - | |
| Total regulatory adjustments applied to CET1 (sum of 9 to 25) | 1,636,376 | |
| Common Equity Tier 1 | 13,042,675 | |

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

| | Component of regulatory capital reported by bank | Reference |
|--|--|-----------------|
| | Rupees in '000 | |
| Additional Tier 1 (AT 1) Capital | | |
| Qualifying Additional Tier-1 instruments plus any related share premium | 1,500,000 | |
| of which: Classified as equity | 1,500,000 | (t) |
| of which: Classified as liabilities | - | (m) |
| Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1) | - | (y) |
| of which: instrument issued by subsidiaries subject to phase out | - | |
| AT1 before regulatory adjustments | 1,500,000 | |
| Additional Tier 1 Capital: regulatory adjustments | | |
| Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment) | - | |
| Investment in own AT1 capital instruments | - | |
| Reciprocal cross holdings in Additional Tier 1 capital instruments | - | |
| Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) | - | (ac) |
| Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation | - | (ad) |
| Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital | 191,912 | |
| Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions | - | |
| Total of Regulatory Adjustment applied to AT1 capital | 191,912 | |
| Additional Tier 1 capital | 1,308,088 | |
| Additional Tier 1 capital recognized for capital adequacy | 1,308,088 | |
| Tier 1 Capital (CET1 + admissible AT1) | 14,350,762 | |
| Tier 2 Capital | | |
| Qualifying Tier 2 capital instruments under Basel III | 4,998,800 | |
| Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments) | - | (n) |
| Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2) | - | (z) |
| of which: instruments issued by subsidiaries subject to phase out | - | |
| General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets | 100,352 | (g) |
| Revaluation Reserves eligible for Tier 2 | 351,754 | |
| of which: portion pertaining to Property | 421,450 | portion of (aa) |
| of which: portion pertaining to AFS securities | (69,695) | |
| Foreign Exchange Translation Reserves | - | (v) |
| Undisclosed/Other Reserves (if any) | - | |
| T2 before regulatory adjustments | 5,450,906 | |

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

| | Component of regulatory capital reported by bank | Reference |
|--|--|-----------|
| | Rupees in '000 | |
| Tier 2 Capital: regulatory adjustments | | |
| Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital | 191,912 | |
| Reciprocal cross holdings in Tier 2 instruments | - | |
| Investment in own Tier 2 capital instrument | - | |
| Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) | - | (ae) |
| Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation | - | (af) |
| Amount of Regulatory Adjustment applied to T2 capital | 191,912 | |
| Tier 2 capital (T2) | 191,912 | |
| Tier 2 capital recognized for capital adequacy | 4,592,639 | |
| Excess Additional Tier 1 capital recognized in Tier 2 capital | - | |
| Total Tier 2 capital admissible for capital adequacy | 4,592,639 | |
| TOTAL CAPITAL (T1 + admissible T2) | 18,943,402 | |

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

41.6 Main Features of Regulatory Capital Instruments

| S.No | Main Features | Common Shares | Preference Shares | Sub-debt -1 | Sub-debt - 2 |
|------|---|----------------------|---------------------|---|---|
| 1 | Issuer | JS Bank | JS Bank | JS Bank | JS Bank |
| 2 | Unique identifier (eg KSE Symbol or Bloomberg identifier etc.) | JSB | JSB | JSB | JSB |
| 3 | Governing law(s) of the instrument | SECP | SECP | SECP | SECP |
| | Regulatory treatment | | | | |
| 4 | Transitional Basel III rules | Common Equity Tier-1 | Additional Tier-1 | Tier-2 | Tier-2 |
| 5 | Post-transitional Basel III rules | Common Equity Tier-1 | Additional Tier-1 | Tier-2 | Tier-2 |
| 6 | Eligible at solo/ group/ group&solo | Solo and Group | Solo and Group | Solo and Group | Solo and Group |
| 7 | Instrument type | Ordinary Shares | Preference Shares | Subordinated Debt | Subordinated Debt |
| 8 | Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date) | 8,619,242 | 1,500,000 | 3,000,000 | 2,000,000 |
| 9 | Par value of instrument | 10 | 10 | 5,000 | 100,000 |
| 10 | Accounting classification | Shareholders Equity | Shareholders Equity | Liability | Liability |
| 11 | Original date of issuance | 2006 | 2014 | 14-Dec-16 | 29-Dec-17 |
| 12 | Perpetual or dated | No Maturity | NA | Dated | Dated |
| 13 | Original maturity date | NA | NA | 14-Dec-23 | 29-Dec-24 |
| 14 | Issuer c ² ll subject to prior supervisory approval | No | No | Yes | Yes |
| 15 | Optional call date, contingent call dates and redemption amount | NA | NA | On or after 10th redemption, on any profit date, partially or fully | On or after 10th redemption, on any profit date, partially or fully |
| 16 | Subsequent call dates, if applicable | NA | NA | NA | NA |
| | Coupons / dividends | | | | |
| 17 | Fixed or floating dividend/ coupon | NA | Fixed | Floating | Floating |
| 18 | coupon rate and any related index/ benchmark | NA | NA | Floating at 6 Months KIBOR*(Base Rate) plus 140 basis points per annum without any floor or CAP | Floating at 6 Months KIBOR*(Base Rate) plus 140 basis points per annum without any floor or CAP |
| 19 | Existence of a dividend stopper | NA | NA | NA | NA |
| 20 | Fully discretionary, partially discretionary or mandatory | NA | NA | Mandatory | Mandatory |
| 21 | Existence of step up or other incentive to redeem | NA | NA | NA | NA |
| 22 | Noncumulative or cumulative | NA | Non-Cumulative | Cumulative | Cumulative |
| 23 | Convertible or non-convertible | NA | Convertible | Convertible | Convertible |

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

| S.No | Main Features | Common Shares | Preference Shares | Sub-debt -1 | Sub-debt - 2 |
|------|---|---------------|-------------------|--|--|
| 24 | If convertible, conversion trigger (s) | NA | NA | At the option of supervisor it can be converted into common equity upon occurrence of certain trigger events , called point of non viability(PONV). The PONV is the earlier of; 1. A decision made by SBP that a conversion or temporary/ permanent write off is necessary without which the bank would become non viable. 2. the decision to make a public sector injection of capital, or equivalent support, without which the bank would have become non viable, as determined by SBP. | At the option of supervisor it can be converted into common equity upon occurrence of certain trigger events , called point of non viability(PONV). The PONV is the earlier of; 1. A decision made by SBP that a conversion or temporary/ permanent write off is necessary without which the bank would become non viable. 2. the decision to make a public sector injection of capital, or equivalent support, without which the bank would have become non viable, as determined by SBP. |
| 25 | If convertible, fully or partially | NA | Fully | May convert fully or partially | May convert fully or partially |
| 26 | If convertible, conversion rate | NA | 1:1.5 | To be determined in the case of trigger event | To be determined in the case of trigger event |
| 27 | If convertible, mandatory or optional conversion | NA | Mandatory | Optional | Optional |
| 28 | If convertible, specify instrument type convertible into | NA | Ordinary Shares | Ordinary Shares | Ordinary Shares |
| 29 | If convertible, specify issuer of instrument it converts into | NA | NA | NA | NA |
| 30 | Write-down feature | NA | NA | Yes | Yes |
| 31 | If write-down, write-down trigger(s) | NA | NA | At the option of supervisor it can be converted into common equity upon occurrence of certain trigger events , called point of non viability(PONV). The PONV is the earlier of; 1. A decision made by SBP that a conversion or temporary/ permanent write off is necessary without which the bank would become non viable. 2. the decision to make a public sector injection of capital, or equivalent support, without which the bank would have become non viable, as determined by SBP. | At the option of supervisor it can be converted into common equity upon occurrence of certain trigger events , called point of non viability(PONV). The PONV is the earlier of; 1. A decision made by SBP that a conversion or temporary/ permanent write off is necessary without which the bank would become non viable. 2. the decision to make a public sector injection of capital, or equivalent support, without which the bank would have become non viable, as determined by SBP. |
| 32 | If write-down, full or partial | NA | NA | Either partially or fully | Either partially or fully |
| 33 | If write-down, permanent or temporary | NA | NA | Permanent | Permanent |
| 34 | If temporary write-down, description of write-up mechanism | NA | NA | NA | NA |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | NA | NA | Deposits | Deposits |
| 36 | Non-compliant transitioned features | NA | NA | No | No |
| 37 | If yes, specify non-compliant features | NA | NA | NA | NA |

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

41.7 Capital Adequacy

| | Capital Requirements | | Risk Weighted Assets | |
|--|----------------------------|-------------------|----------------------|--------------------|
| | December 31, 2017 | December 31, 2016 | December 31, 2017 | December 31, 2016 |
| | ----- Rupees in '000 ----- | | | |
| Credit Risk | | | | |
| On balance sheet | | | | |
| Corporate | 7,554,444 | 5,722,057 | 75,544,441 | 57,220,574 |
| Retail | 2,799,388 | 1,029,394 | 27,993,877 | 10,293,935 |
| Banks and DFIs | 404,648 | 287,574 | 4,046,478 | 2,875,736 |
| Public sector entity | 36,402 | 71,459 | 364,018 | 714,591 |
| Sovereign (include GoP and SBP) | 158,660 | 344,147 | 1,586,600 | 3,441,471 |
| Residential mortgage finance | 245,288 | 88,765 | 2,452,879 | 887,648 |
| Past due loans | 77,207 | 88,463 | 772,074 | 884,631 |
| Fixed assets | 513,531 | 398,462 | 5,135,309 | 3,984,616 |
| Other assets | 119,165 | 75,688 | 1,191,649 | 756,877 |
| | 11,908,733 | 8,106,008 | 119,087,325 | 81,060,079 |
| Off balance sheet | | | | |
| Non market related | 1,574,193 | 1,552,561 | 15,741,927 | 15,525,614 |
| Market related | 32,972 | 8,929 | 329,722 | 89,286 |
| | 1,607,165 | 1,561,490 | 16,071,649 | 15,614,900 |
| Equity Exposure Risk in the Banking Book | | | | |
| Listed | 618,845 | 603,665 | 6,188,448 | 6,036,654 |
| Unlisted | 2,058 | 36,456 | 20,584 | 364,558 |
| | 620,903 | 640,121 | 6,209,032 | 6,401,212 |
| Total Credit Risk | 14,136,801 | 10,307,619 | 141,368,006 | 103,076,191 |
| Market Risk | | | | |
| Interest rate risk | 59,078 | 294,020 | 590,780 | 2,940,204 |
| Equity position risk etc. | - | - | - | - |
| Foreign exchange risk | 151,226 | 20,640 | 1,512,263 | 206,399 |
| Total Market Risk | 210,304 | 314,660 | 2,103,043 | 3,146,603 |
| Operational Risk | | | | |
| Capital Requirement for operational risks | 1,498,665 | 1,276,964 | 14,986,654 | 12,769,641 |
| Total | 15,845,770 | 11,899,244 | 158,457,703 | 118,992,435 |
| Capital Adequacy Ratio | | | | |
| Total eligible common equity tier 1 capital held (e) | | 13,042,675 | | 12,064,809 |
| Total eligible tier 1 capital held (f) | | 14,350,762 | | 13,180,984 |
| Total eligible regulatory capital held (e) | | 18,943,402 | | 16,721,288 |
| Total Risk Weighted Assets (i) | | 158,457,703 | | 118,992,435 |

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

| | December 31, 2017 | | December 31, 2016 | |
|-----------------------------|-------------------|--------|-------------------|--------|
| | Required | Actual | Required | Actual |
| CET1 to total RWA | 7.275% | 8.23% | 6.65% | 10.14% |
| Tier-1 capital to total RWA | 7.50% | 9.06% | 7.50% | 11.08% |
| Total capital to total RWA | 11.28% | 11.95% | 10.65% | 14.05% |

41.8 Leverage Ratio

| | | |
|------------------------------------|-------------|-------------|
| Total eligible tier 1 capital held | 14,350,762 | 13,180,984 |
| Total Exposure | 462,328,540 | 322,403,541 |
| Leverage Ratio | 3.10% | 4.09% |

42. RISK MANAGEMENT

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

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

Bank has a comprehensive set of Risk Management Policies, practices and procedures which enable the Bank to take into consideration, in an appropriate manner, all major kinds of risks mainly credit, market, liquidity, operational and IT security risks. Keeping in view the dynamics of internal and external environment, we regularly review and update our Risk Management policies and procedures in accordance with regulatory environment and international standards.

Risk Management activities remain at the forefront of all activities of the Bank which places the highest priority on conducting its business in a prudent manner in line with the relevant laws and regulatory requirements.

Risk management framework of Bank includes:

- Clearly defined risk management policies and procedures covering risk identification, acceptance, measurement, monitoring, reporting and control;
- Well constituted organizational structure, defining clearly roles and responsibilities of individuals involved in risk taking as well as managing it. The bank, in addition to risk management functions for various risk categories, has instituted an Integrated Risk Management Committee (IRMC) as well as Central Credit Committee (CCC). IRMC oversees the overall risk management at the bank and provide guidance in

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setting strategic targets as well as concentration limits and monitor progress related to earnings growth, keeping in view the capital constraints and also adhere to the concentration limits. The IRMC monitors the strategic target and aggregate limits at the Business Group level and concentration limits (by industry, geography, size, tenor) so that one category of assets or dimension of risk cannot materially harm the performance of the Bank. Whereas, Central Credit Committee (CCC) is entrusted with the responsibility of monitoring lending risk profile of the bank. CCC meets regularly to actively supervise credit risk across its lending portfolio.

- c) An effective management information system that ensures flow of information from operational level to top management and a system to address any exceptions observed; and
- d) A mechanism to ensure an ongoing review of systems, policies and procedures for risk management and procedures to adopt changes.

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

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

- Board Risk Management Committee (BRMC);
- Integrated Risk Management Committee (IRMC) which comprises of the President / Chief Executive Officer (CEO), Deputy CEO, Group Head Credit & Risk Management, Chief Financial Officer, Group Head Corporate & Retail Banking, Group Head Operations and Head of Compliance.
- Asset - Liability Committee which comprises of the President / Chief Executive Officer (CEO), Deputy CEO, Treasurer, Group Head Risk Management, Other Business Heads.
- Central Credit Committee comprising of the President / CEO, Deputy CEO, Group Head Credit & Risk Management, Chief Financial Officer and Group Head Corporate & Retail Banking.
- Operational Risk Steering Committee which comprises of the Group Head, Credit & Risk Management, Head of Operations, Head of Information Technology and Head of Compliance.
- Risk Management Group (RMG), a dedicated and independent set-up that comprises of Regional Credit Heads, Heads of Market & Liquidity Risks, Operational Risk and Treasury Middle Office.

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

- a) Credit Risk Management (CRM) covering Corporate / Commercial and Retail Banking Risks
- b) Operational Risk Management
- c) Market Risk Management (MRM)
- d) Treasury Middle Office
- e) Basel II / III Implementation Unit
- f) Credit Administration Department
- g) Special Assets Management (SAM)

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

Risk Matrix / Categories

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

Risk Appetite

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

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

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

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

42.1 Credit Risk

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

Credit risk management is an ongoing process. The overall credit policy and the credit risk instructions are issued by the Board of Directors. In this regards, a Central Credit Committee (CCC) is entrusted with the responsibility of monitoring lending risk profile of the bank. In order to maintain healthy growth of the credit portfolio, the Bank's Credit Risk Management processes are consistently upgraded and improved to meet future challenges.

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

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42.1.1 Segmental Information

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

42.1.1.1 Segment by class of business

| | 2017 | | | | | |
|---|---------------------|--------------|-------------------|--------------|----------------------------------|--------------|
| | Advances (gross) | | Deposits | | Contingencies and commitments | |
| | Rupees in '000 | Percent % | Rupees in '000 | Percent % | Rupees in '000 | Percent % |
| Agri finance | 2,584,965 | 1.38 | 7,017 | 0.00 | - | - |
| Automobile and transportation equipment | 3,599,906 | 1.93 | 2,935,187 | 1.01 | 2,680,780 | 2.48 |
| Brokerage | 2,681,932 | 1.44 | 2,247,868 | 0.77 | 625,700 | 0.58 |
| Cement | 209,356 | 0.11 | 1,955,604 | 0.67 | 1,357,619 | 1.26 |
| Chemical | 2,365,522 | 1.27 | 3,068,426 | 1.06 | 583,005 | 0.54 |
| Construction | 3,711,869 | 1.99 | 8,383,926 | 2.89 | 24,731,408 | 22.90 |
| Electronics and electrical appliances | 301,375 | 0.16 | 4,004,788 | 1.38 | 711,868 | 0.66 |
| Engineering, IT and other services | 4,639,050 | 2.48 | 16,666,461 | 5.75 | 2,850,006 | 2.64 |
| Fertilizer | 3,206,664 | 1.72 | 4,552,980 | 1.57 | 2,354,865 | 2.18 |
| Financial | 3,005,047 | 1.61 | 22,601,206 | 7.79 | 21,638,686 | 20.04 |
| Food / confectionery / beverages | 36,076,698 | 19.30 | 2,341,565 | 0.81 | 1,797,201 | 1.66 |
| Individuals | 20,136,724 | 10.78 | 86,970,986 | 29.98 | 2,796,610 | 2.59 |
| Insurance and security | 159,353 | 0.09 | 5,020,213 | 1.73 | 27,245 | 0.03 |
| Metal and steel | 6,477,004 | 3.47 | 311,126 | 0.11 | 3,220,008 | 2.98 |
| Mining and quarrying | 57,529 | 0.03 | 2,806,004 | 0.97 | 882,839 | 0.82 |
| Paper / board / furniture | 1,125,618 | 0.60 | 544,587 | 0.19 | 585,175 | 0.54 |
| Petroleum, oil and gas | 3,837,523 | 2.05 | 11,992,285 | 4.13 | 419,202 | 0.39 |
| Pharmaceuticals | 4,836,857 | 2.59 | 705,238 | 0.24 | 629,771 | 0.58 |
| Plastic | 1,898,580 | 1.02 | 27,871 | 0.01 | 350,709 | 0.32 |
| Power and water | 12,940,341 | 6.92 | 5,388,005 | 1.86 | 22,626,105 | 20.95 |
| Real estate | 1,767,479 | 0.95 | 217,142 | 0.07 | 68,352 | 0.06 |
| Rubber | - | 0.00 | 5,314 | 0.00 | 12,743 | 0.01 |
| Shipbreaking | 4,166,705 | 2.23 | 48,161 | 0.02 | 58,004 | 0.05 |
| Storage | 114,685 | 0.06 | 252,282 | 0.09 | - | 0.00 |
| Sugar | 2,176,604 | 1.16 | 219,343 | 0.08 | 117,518 | 0.11 |
| Telecommunication | 1,239,201 | 0.66 | 9,699,646 | 3.34 | 494,461 | 0.46 |
| Textile | | | | | | |
| Composite | 5,418,311 | 2.90 | 10,931 | 0.00 | 1,759,328 | 1.63 |
| Ginning | 1,310,409 | 0.70 | 53,415 | 0.02 | 275,140 | 0.25 |
| Spinning | 7,977,933 | 4.27 | 29,806 | 0.01 | 1,875,447 | 1.74 |
| weaving | 8,600,624 | 4.60 | 923,112 | 0.32 | 1,200,908 | 1.11 |
| | 23,307,277 | 12.47 | 1,017,264 | 0.35 | 5,110,823 | 4.73 |
| Transportation | 24,214,240 | 12.96 | 3,409,731 | 1.18 | - | 0.00 |
| Trust and non-profit organisations | 361,330 | 0.19 | 40,014,982 | 13.79 | 49,233 | 0.05 |
| Tyre | 278,180 | 0.15 | 191,114 | 0.07 | 81,506 | 0.08 |
| Wholesale and retail trade | 11,037,390 | 5.91 | 10,501,057 | 3.62 | 4,369,688 | 4.05 |
| Others | 4,363,891 | 2.32 | 41,970,187 | 14.47 | 6,745,989 | 6.26 |
| | 186,878,895 | 100 | 290,077,566 | 100 | 107,977,119 | 100 |

Notes to the Unconsolidated Financial Statements

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| | 2016 | | | | | |
|---|---------------------|--------------|-------------------|--------------|----------------------------------|--------------|
| | Advances (gross) | | Deposits | | Contingencies and commitments | |
| | Rupees in '000 | Percent % | Rupees in '000 | Percent % | Rupees in '000 | Percent % |
| Agri finance | 1,510,356 | 1.57 | 112,058 | 0.05 | - | - |
| Automobile and transportation equipment | 1,958,955 | 2.03 | 2,365,241 | 1.05 | 981,223 | 1.24 |
| Brokerage | 3,937,097 | 4.08 | 1,876,867 | 0.83 | 258,798 | 0.33 |
| Cement | 844,558 | 0.88 | 4,211,769 | 1.86 | 245,496 | 0.31 |
| Chemical | 1,229,418 | 1.27 | 1,012,913 | 0.45 | 1,648,062 | 2.09 |
| Construction | 2,288,680 | 2.37 | 5,754,072 | 2.54 | 14,745,517 | 18.68 |
| Electronics and electrical appliances | 200,835 | 0.21 | 7,361,674 | 3.26 | 80,927 | 0.10 |
| Engineering, IT and other services | 1,092,591 | 1.13 | 9,413,690 | 4.16 | 2,752,056 | 3.49 |
| Fertilizer | 3,276,123 | 3.40 | 3,868,031 | 1.71 | 2,632,751 | 3.34 |
| Financial | 3,252,827 | 3.37 | 29,501,571 | 13.05 | 31,059,501 | 39.35 |
| Food / confectionery / beverages | 14,760,439 | 15.30 | 8,603,882 | 3.81 | 680,708 | 0.86 |
| Individuals | 8,032,695 | 8.33 | 70,871,762 | 31.35 | 427,849 | 0.54 |
| Insurance and security | 29,804 | 0.03 | 5,577,677 | 2.47 | 17,028 | 0.02 |
| Metal and steel | 3,441,932 | 3.57 | 1,127,398 | 0.50 | 2,019,820 | 2.56 |
| Mining and quarrying | 71,326 | 0.07 | 2,504,794 | 1.11 | - | 0.00 |
| Paper / board / furniture | 737,077 | 0.76 | 133,281 | 0.06 | 549,427 | 0.70 |
| Petroleum, oil and gas | 1,970,862 | 2.04 | 3,340,190 | 1.48 | 331,278 | 0.42 |
| Pharmaceuticals | 3,328,405 | 3.45 | 462,395 | 0.20 | 710,845 | 0.90 |
| Plastic | 1,684,546 | 1.75 | 64,557 | 0.03 | 373,088 | 0.47 |
| Power and water | 1,798,162 | 1.86 | 577,451 | 0.26 | 767,921 | 0.97 |
| Real estate | 1,662,335 | 1.72 | 117,573 | 0.05 | 97,391 | 0.12 |
| Rubber | - | 0.00 | 250,325 | 0.11 | - | 0.00 |
| Shipbreaking | 5,142,954 | 5.33 | 57,548 | 0.03 | 11,965 | 0.02 |
| Storage | - | 0.00 | 325,599 | 0.14 | - | 0.00 |
| Sugar | 2,981,865 | 3.09 | 893,435 | 0.40 | 196,992 | 0.25 |
| Tele-communication | 1,703,603 | 1.77 | 7,482,512 | 3.31 | 1,269,223 | 1.61 |
| Textile | | | | | | |
| Composite | 1,523,936 | 1.58 | 88,837 | 0.04 | 387,438 | 0.49 |
| Ginning | 356,199 | 0.37 | 3,055 | 0.00 | 274,963 | 0.35 |
| Spinning | 5,311,379 | 5.51 | 106,642 | 0.05 | 1,181,228 | 1.50 |
| weaving | 5,470,711 | 5.67 | 1,010,836 | 0.45 | 2,228,999 | 2.82 |
| | 12,662,225 | 13.13 | 1,209,370 | 0.54 | 4,072,628 | 5.16 |
| Transportation | 4,235,834 | 4.39 | 4,571,854 | 2.02 | 39,117 | 0.05 |
| Trust and non-profit organisations | 289,779 | 0.30 | 26,118,955 | 11.55 | 2,000 | 0.00 |
| Tyre | 173,285 | 0.18 | 101,377 | 0.04 | 155,748 | 0.20 |
| Wholesale and retail trade | 4,272,828 | 4.43 | 3,403,998 | 1.51 | 460,082 | 0.58 |
| Others | 7,882,079 | 8.19 | 22,825,112 | 10.07 | 12,335,587 | 15.64 |
| | 96,453,475 | 100 | 226,098,931 | 100 | 78,923,028 | 100 |

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42.1.1.2 Segment by sector

| | 2017 | | | | | |
|---------------------|--------------------|------------|--------------------|------------|-------------------------------|------------|
| | Advances (gross) | | Deposits | | Contingencies and commitments | |
| | Rupees in '000 | Percent % | Rupees in '000 | Percent % | Rupees in '000 | Percent % |
| Public / Government | 37,342,990 | 19.98 | 49,068,231 | 16.92 | - | - |
| Private | 149,535,905 | 80.02 | 241,009,335 | 83.08 | 107,977,119 | 100 |
| | 186,878,895 | 100 | 290,077,566 | 100 | 107,977,119 | 100 |

| | 2016 | | | | | |
|---------------------|-------------------|------------|--------------------|------------|-------------------------------|------------|
| | Advances (gross) | | Deposits | | Contingencies and commitments | |
| | Rupees in '000 | Percent % | Rupees in '000 | Percent % | Rupees in '000 | Percent % |
| Public / Government | 4,999,999 | 5.18 | 33,490,281 | 14.81 | - | - |
| Private | 91,453,476 | 94.82 | 192,608,650 | 85.19 | 78,923,028 | 100 |
| | 96,453,475 | 100 | 226,098,931 | 100 | 78,923,028 | 100 |

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

| | 2017 | | 2016 | |
|---|----------------------------|--------------------------|---------------------|--------------------------|
| | Classified advances | Specific provisions held | Classified advances | Specific provisions held |
| | ----- Rupees in '000 ----- | | | |
| Automobile and transportation equipment | 74,875 | 61,875 | 61,875 | 61,875 |
| Engineering, IT and other services | 21,683 | 16,857 | 183,711 | 183,711 |
| Brokerage | 167,596 | 167,596 | - | - |
| Fertilizer | 1,260,418 | 1,260,418 | 1,258,256 | 1,258,256 |
| Food | 134,370 | 79,968 | 110,138 | 91,398 |
| Individuals | 364,142 | 75,397 | 254,433 | 68,352 |
| Metal and steel | 154,067 | 23,161 | 139,892 | 8,208 |
| Power and water, oil and gas | 21,448 | 21,448 | 21,448 | 21,448 |
| Ship breaking | 157,926 | 125,658 | 157,926 | 98,814 |
| Sugar | 200,000 | 200,000 | 200,000 | 100,000 |
| Tele-communication | - | - | 172,628 | - |
| Textile | | | | |
| Composite | 315,665 | 304,153 | 373,211 | 370,462 |
| Ginning | 29,999 | - | - | - |
| Spinning | 278,441 | 278,441 | 278,441 | 278,441 |
| Weaving | 3,500 | - | - | - |
| | 627,605 | 582,594 | 651,652 | 648,903 |
| Transportation services | 22,928 | 17,681 | 13,348 | 13,348 |
| Wholesale and retail trade | 14,360 | 6,307 | 44,573 | 32,282 |
| Others | 36,579 | - | 58,062 | 31,758 |
| | 3,257,997 | 2,638,960 | 3,327,942 | 2,618,353 |

Details of non-performing advances and specific provisions by sector

| | | | | |
|---------------------|------------------|------------------|------------------|------------------|
| Public / Government | - | - | - | - |
| Private | 3,257,997 | 2,638,960 | 3,327,942 | 2,618,353 |
| | 3,257,997 | 2,638,960 | 3,327,942 | 2,618,353 |

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

Geographical segment analysis

| | 2017 | | 2016 | |
|----------------------------|-----------------------|---------------------|-----------------------|---------------------|
| | Total assets employed | Net assets employed | Total assets employed | Net assets employed |
| ----- Rupees in '000 ----- | | | | |
| Pakistan | 380,989,982 | 16,131,487 | 260,433,902 | 16,384,851 |
| Bahrain | 7,318,894 | 537,842 | 4,266,591 | 264,674 |
| | 388,308,876 | 16,669,329 | 264,700,493 | 16,649,525 |

| | 2017 | | 2016 | |
|----------------------------|------------------------|-------------------------------|------------------------|-------------------------------|
| | Profit before taxation | Contingencies and commitments | Profit before taxation | Contingencies and commitments |
| ----- Rupees in '000 ----- | | | | |
| Pakistan | 1,376,196 | 106,261,877 | 3,377,428 | 77,703,976 |
| Bahrain | 244,368 | 1,715,242 | 12,508 | 1,219,052 |
| | 1,620,564 | 107,977,119 | 3,389,936 | 78,923,028 |

42.1.2 Credit risk: Standardised approach

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

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

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

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

Notes to the Unconsolidated Financial Statements

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Long - Term Ratings Grades Mapping

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

Short - Term Ratings Grades Mapping

| SBP | PACRA | JCR-VIS | Fitch | Moody's | S&P |
|-----|--------|---------|--------|---------|-----------|
| S1 | A-1 | A-1 | F-1 | P-1 | A-1+, A-1 |
| S2 | A-2 | A-2 | F-2 | P-2 | A-2 |
| S3 | A-3 | A-3 | F-3 | P-3 | A-3 |
| S4 | Others | Others | Others | Others | Others |

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

41.1.2.1 Credit exposures and comparative figures subject to the standardised approach

| Exposures | Rating category No. | Rating risk weighted | 2017 | | | |
|---|------------------------|----------------------|--------------------|-----------------|-------------|---------------------|
| | | | Amount outstanding | Deduction CRM * | Net amount | Risk weighted asset |
| ----- Rupees in '000 ----- | | | | | | |
| Cash and Cash Equivalents | | 0% | 4,727,336 | - | 4,727,336 | - |
| Corporate | 0 | 0% | - | - | - | - |
| | 1 | 20% | 5,500,307 | (395,068) | 5,895,376 | 1,179,075 |
| | 2 | 50% | 17,441,032 | 1,465,077 | 15,975,955 | 7,987,978 |
| | 3,4 | 100% | 5,788,035 | 469,847 | 5,318,188 | 5,318,188 |
| | 5,6 | 150% | 37,696 | - | 37,696 | 56,545 |
| | Unrated | 100% | 58,311,942 | 7,980,335 | 50,331,607 | 50,331,607 |
| | Unrated-2 | 125% | 10,708,740 | 2,171,901 | 8,536,839 | 10,671,048 |
| | | | 97,787,752 | 11,692,092 | 86,095,661 | 75,544,441 |
| Retail | | 0% | - | - | - | - |
| | | 20% | - | - | - | - |
| | | 50% | - | (12,177) | 12,177 | 6,089 |
| | | 75% | 40,579,962 | 3,262,911 | 37,317,051 | 27,987,788 |
| | | | 40,579,962 | 3,250,734 | 37,329,228 | 27,993,877 |
| Banks | | | | | | |
| - Over 3 Months | | 0% | - | - | - | - |
| | 1 | 20% | 1,789,292 | (1,675) | 1,790,967 | 358,193 |
| | 2,3 | 50% | 2,584,221 | 298,661 | 2,285,560 | 1,142,780 |
| | 4,5 | 100% | 1,536,984 | - | 1,536,984 | 1,536,984 |
| | 6 | 150% | - | - | - | - |
| | Unrated | 50% | 2,076,819 | 1,512,305 | 564,514 | 282,257 |
| | | | 7,987,316 | 1,809,291 | 6,178,025 | 3,320,214 |
| - Maturity Upto and under 3 Months in FCY | | 0% | - | - | - | - |
| | 1,2,3 | 20% | 1,857,790 | (106,218) | 1,964,008 | 392,802 |
| | 4,5 | 50% | 79,142 | (36,934) | 116,075 | 58,038 |
| | 6 | 150% | - | - | - | - |
| | unrated | 20% | 598,384 | (373,803) | 972,187 | 194,437 |
| | | | 2,535,316 | (516,955) | 3,052,270 | 645,277 |
| - Maturity Upto and under 3 Months in PKR | | 0% | - | - | - | - |
| - Maturity Upto and under 3 Months in PKR | | 20% | 404,936 | - | 404,936 | 80,987 |
| | | | 404,936 | - | 404,936 | 80,987 |
| Residential Mortgage Finance | | 35% | 7,008,225 | - | 7,008,225 | 2,452,879 |
| Public Sector Entity | | | | | | |
| | 1 | 0% | - | - | - | - |
| | 2,3 | 50% | 563,651 | - | 563,651 | 112,730 |
| | 4,5 | 100% | - | - | - | - |
| | 6 | 150% | - | - | - | - |
| | Unrated | 50% | 37,637,425 | 37,134,848 | 502,576 | 251,288 |
| | | | 38,201,076 | - | 1,066,227 | 364,018 |
| Sovereigns (SBP / GoP) | | 0% | 164,749,656 | 85,584 | 164,663,008 | 1,586,600 |
| Equity Investments - Listed | | 100% | 3,546,574 | - | 3,546,574 | 3,546,574 |
| - Unlisted | | 150% | 13,722 | - | 13,722 | 20,584 |
| Significant Investment and DTA | | 250% | 1,056,750 | - | 1,056,750 | 2,641,874 |
| | | | 4,617,046 | - | 4,617,046 | 6,209,032 |
| Past Due Loans | S.P less than 20% | 150% | 341,754 | - | 341,754 | 512,631 |
| (Not Secured by Residential Mortgages) | S.P between 20% to 50% | 100% | 241,604 | - | 241,604 | 241,604 |
| | S.P greater than 50% | 50% | 35,677 | - | 35,677 | 17,839 |
| | | | 619,035 | - | 619,035 | 772,074 |
| Investment in fixed assets | | 100% | 5,135,309 | - | 5,135,309 | 5,135,309 |
| Other assets | | 100% | 1,191,649 | - | 1,191,649 | 1,191,649 |
| Total | | | 375,544,614 | 16,320,746 | 322,087,955 | 125,296,357 |

* Credit Risk Mitigation (CRM)

Notes to the Unconsolidated Financial Statements

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Credit exposures subject to Standardised approach

| Exposures | Rating category No. | Rating risk weighted | 2016 | | | Risk weighted asset |
|---|------------------------|----------------------|--------------------|------------------|--------------------|---------------------|
| | | | Amount outstanding | Deduction CRM * | Net amount | |
| ----- Rupees in '000 ----- | | | | | | |
| Cash and Cash Equivalents | | 0% | 3,509,618 | - | 3,509,618 | - |
| Corporate | | | | | | |
| | 0 | 0% | - | - | - | - |
| | 1 | 20% | 4,632,038 | - | 4,632,038 | 926,408 |
| | 2 | 50% | 1,179,061 | 515,029 | 664,033 | 332,016 |
| | 3,4 | 100% | 1,146,866 | 304,406 | 842,461 | 842,461 |
| | 5,6 | 150% | 28,184 | - | 28,184 | 42,275 |
| | Unrated | 100% | 52,133,815 | 6,807,878 | 45,325,937 | 45,325,937 |
| | Unrated-2 | 125% | 8,542,609 | 741,427 | 7,801,182 | 9,751,477 |
| | | | <u>67,662,573</u> | <u>8,368,740</u> | <u>59,293,835</u> | <u>57,220,574</u> |
| Retail | | | | | | |
| | | 0% | - | - | - | - |
| | | 20% | - | - | - | - |
| | | 50% | - | - | - | - |
| | | 75% | 15,741,146 | 2,015,900 | 13,725,247 | 10,293,935 |
| | | | <u>15,741,146</u> | <u>2,015,900</u> | <u>13,725,247</u> | <u>10,293,935</u> |
| Banks | | | | | | |
| - Maturity over 3 Months | | | | | | |
| | | 0% | - | - | - | - |
| | 1 | 20% | 1,194,772 | (1,311) | 1,196,082 | 239,216 |
| | 2,3 | 50% | 2,486,858 | 350,301 | 2,136,558 | 1,068,279 |
| | 4,5 | 100% | 446,671 | - | 446,671 | 446,671 |
| | 6 | 150% | - | - | - | - |
| | Unrated | 50% | 300,851 | - | 300,851 | 150,425 |
| | | | <u>4,429,152</u> | <u>348,990</u> | <u>4,080,162</u> | <u>1,904,591</u> |
| - Maturity Upto and under 3 Months in FCY | | | | | | |
| | | 0% | - | - | - | - |
| | 1,2,3 | 20% | 1,984,117 | (415) | 1,984,532 | 396,906 |
| | 4,5 | 50% | - | - | - | - |
| | 6 | 150% | 49,300 | - | 49,300 | 73,950 |
| | unrated | 20% | 257,626 | - | 257,626 | 51,525 |
| | | | <u>2,291,043</u> | <u>(415)</u> | <u>2,291,458</u> | <u>522,381</u> |
| - Maturity upto and under 3 months in PKR | | | | | | |
| | | 0% | - | - | - | - |
| | | 20% | 2,302,675 | 58,856 | 2,243,819 | 448,764 |
| | | | <u>2,302,675</u> | <u>58,856</u> | <u>2,243,819</u> | <u>448,764</u> |
| Residential Mortgage Finance | | 35% | 2,536,136 | - | 2,536,136 | 887,648 |
| Public Sector Entity | | | | | | |
| | | 0% | - | - | - | - |
| | 1 | 20% | 1,991,822 | - | 1,991,822 | 398,364 |
| | 2,3 | 50% | - | - | - | - |
| | 4,5 | 100% | - | - | - | - |
| | 6 | 150% | - | - | - | - |
| | Unrated | 50% | 5,688,773 | 5,056,319 | 632,453 | 316,227 |
| | | | <u>7,680,595</u> | <u>5,056,319</u> | <u>2,624,275</u> | <u>714,591</u> |
| Sovereigns (SBP / GoP) | | | | | | |
| | | 0% | 60,397,436 | - | 60,397,436 | - |
| | | 20% | - | - | - | - |
| | | 50% | 166,159 | - | 166,159 | 83,080 |
| | | 100% | 3,358,391 | - | 3,358,391 | 3,358,391 |
| | | | <u>63,921,987</u> | <u>-</u> | <u>63,921,987</u> | <u>3,441,471</u> |
| Equity Investments - Listed | | 100% | 4,177,173 | - | 4,177,173 | 4,177,173 |
| - Unlisted | | 150% | 243,038 | - | 243,038 | 364,558 |
| Significant Investment and DTA | | 250% | 743,793 | - | 743,793 | 1,859,481 |
| | | | <u>5,164,004</u> | <u>-</u> | <u>5,164,004</u> | <u>6,401,212</u> |
| | S.P less than 20% | 150% | 409,704 | - | 409,704 | 614,556 |
| | S.P between 20% to 50% | 100% | 240,265 | - | 240,265 | 240,265 |
| | S.P greater than 50% | 50% | 59,620 | - | 59,620 | 29,810 |
| | | | <u>709,589</u> | <u>-</u> | <u>709,589</u> | <u>884,631</u> |
| Investment in fixed assets | | 100% | 3,984,616 | - | 3,984,616 | 3,984,616 |
| Other assets | | 100% | 756,877 | - | 756,877 | 756,877 |
| Total | | | <u>180,690,011</u> | <u>-</u> | <u>164,841,622</u> | <u>87,461,291</u> |

* Credit Risk Mitigation (CRM)

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

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

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

42.2 Equity position risk in the banking book

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

42.3 Market risk

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

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

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

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

Risk reporting undertaken by the market risk function includes:

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

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

42.3.2 Foreign exchange risk

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

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

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

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

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

| | 2017 | | | |
|----------------------|----------------------------|--------------------|-------------------------|-------------------------------|
| | Assets | Liabilities | Off-balance sheet items | Net foreign currency exposure |
| | ----- Rupees in '000 ----- | | | |
| Pakistan Rupee | 370,136,791 | 352,992,264 | (1,012,388) | 16,132,139 |
| United States Dollar | 16,159,391 | 14,305,112 | (1,405,232) | 449,047 |
| Great Britain Pound | 1,147,121 | 3,735,250 | 2,546,068 | (42,061) |
| Euro | 778,748 | 738,975 | (100,213) | (60,440) |
| Other currencies | 86,825 | 137,143 | (28,235) | (78,553) |
| | 18,172,085 | 18,916,480 | 1,012,388 | 267,993 |
| | 388,308,876 | 371,908,744 | - | 16,400,132 |
| | 2016 | | | |
| | Assets | Liabilities | Off-balance sheet items | Net foreign currency exposure |
| | ----- Rupees in '000 ----- | | | |
| Pakistan Rupee | 250,332,275 | 234,084,260 | 228,778 | 16,476,793 |
| United States Dollar | 12,520,840 | 9,640,001 | (2,701,681) | 179,158 |
| Great Britain Pound | 314,656 | 1,461,624 | 1,122,628 | (24,340) |
| Euro | 326,070 | 1,650,304 | 1,327,343 | 3,109 |
| Other currencies | 1,206,652 | 1,214,779 | 22,932 | 14,805 |
| | 14,368,218 | 13,966,708 | (228,778) | 172,732 |
| | 264,700,493 | 248,050,968 | - | 16,649,525 |

42.3.3 Equity position risk in trading book

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

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

Notes to the Unconsolidated Financial Statements

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42.3.4

Mismatch of interest rate sensitive assets and liabilities

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. The 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 assets and liabilities committee (ALCO) of the Bank monitors and manages the interest rate risk with the objective of limiting the potential adverse effects on the profitability of the Bank.

| | 2017 | | | | | | | | | | Non-interest bearing financial instrument | | | | |
|---|-------------|---------------|--------------------|--------------------|-------------------------|-------------------|-------------------|-------------------|--------------------|----------------|---|---|---|---|--------------|
| | Total | Up to 1 month | Over 1 to 3 months | Over 3 to 6 months | Over 6 months to 1 year | Over 1 to 2 years | Over 2 to 3 years | Over 3 to 5 years | Over 5 to 10 years | Above 10 years | | | | | |
| Effective yield interest rate - % | | | | | | | | | | | | | | | |
| ----- Rupees in '000 ----- | | | | | | | | | | | | | | | |
| On-balance sheet financial instruments | | | | | | | | | | | | | | | |
| Assets | | | | | | | | | | | | | | | |
| Cash and balances with treasury banks | 17,333,788 | 1,890,381 | - | - | - | - | - | - | - | - | - | - | - | - | 15,443,407 |
| Balances with other banks | 1,034,266 | 188,987 | 0 - 1 | - | - | - | - | - | - | - | - | - | - | - | 845,279 |
| Lendings to financial institutions | 3,116,199 | 1,281,177 | 1,181,464 | 653,558 | - | - | - | - | - | - | - | - | - | - | - |
| Investments | 167,692,437 | 10,674,489 | 10,828,812 | 2,935,205 | 1,368,048 | 87,647,283 | 17,976,785 | 30,268,133 | 2,433,702 | - | - | - | - | - | 3,559,980 |
| Advances | 184,139,582 | 125,640,807 | 17,565,311 | 23,956,131 | 3,363,019 | 4,565,945 | 3,360,475 | 2,390,429 | 925,085 | 1,753,343 | - | - | - | - | 619,037 |
| Other assets | 5,270,782 | - | - | - | - | - | - | - | - | - | - | - | - | - | 5,270,782 |
| | 378,687,054 | 139,675,841 | 29,575,687 | 27,544,894 | 4,731,067 | 92,213,228 | 21,337,280 | 32,658,562 | 3,358,787 | 1,753,343 | - | - | - | - | 25,738,485 |
| Liabilities | | | | | | | | | | | | | | | |
| Bills payable | 3,824,278 | - | - | - | - | - | - | - | - | - | - | - | - | - | 3,824,278 |
| Borrowings | 64,557,043 | 49,798,126 | 8,092,537 | 5,204,967 | 14,289 | 31,234 | 16,839 | 464,313 | 934,738 | - | - | - | - | - | - |
| Deposits and other accounts | 290,077,566 | 103,912,554 | 37,778,647 | 37,710,625 | 32,621,440 | 1,949,163 | 850,207 | 70,674 | - | - | - | - | - | - | 75,184,256 |
| Sub-ordinated loans | 4,998,800 | - | - | 4,998,800 | - | - | - | - | - | - | - | - | - | - | - |
| Other liabilities | 7,385,057 | - | - | - | - | - | - | - | - | - | - | - | - | - | 7,385,057 |
| | 370,842,744 | 153,710,680 | 45,871,184 | 47,914,392 | 32,635,729 | 1,990,397 | 867,046 | 534,967 | 934,738 | 1,753,343 | - | - | - | - | 86,393,591 |
| | 7,744,310 | (14,034,839) | (16,295,597) | (20,369,498) | (27,904,662) | 90,232,831 | 20,470,214 | 32,123,575 | 2,424,049 | 1,753,343 | - | - | - | - | (60,655,106) |
| On-balance sheet financial instruments | | | | | | | | | | | | | | | |
| Commitments in respect of forward purchase, currency swaps, options and commitments to extent credits | 30,348,378 | 4,474,661 | 1,557,991 | 21,879,036 | 888,207 | 752,658 | 530,417 | 265,208 | - | - | - | - | - | - | - |
| Commitments in respect of forward sale, currency swaps and options | (9,344,185) | (4,100,495) | (1,187,368) | (58,117) | (2,464,363) | (738,217) | (530,417) | (265,208) | - | - | - | - | - | - | - |
| Off-balance sheet gap | 21,004,193 | 374,166 | 370,623 | 21,820,919 | (1,576,156) | 14,641 | - | - | - | - | - | - | - | - | - |
| Total yield / interest risk sensitivity gap | | (13,660,673) | (15,924,974) | 1,451,421 | (29,480,618) | 90,247,472 | 20,470,214 | 32,123,575 | 2,424,049 | 1,753,343 | - | - | - | - | (60,655,106) |
| Cumulative yield / interest risk sensitivity gap | | (13,660,673) | (29,585,647) | (28,134,226) | (57,615,044) | 32,632,428 | 53,102,642 | 85,226,217 | 87,650,266 | 89,403,609 | | | | | |

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

| Effective yield interest rate - % | 2016 | | | | | | | | | | Non-interest bearing financial instrument |
|--|--------------------|--------------------|--|---------------------|-------------------------|-------------------|-------------------|-------------------|--------------------|------------------|---|
| | Total | Up to 1 month | Over 1 to 3 months | Over 3 to 6 months | Over 6 months to 1 year | Over 1 to 2 years | Over 2 to 3 years | Over 3 to 5 years | Over 5 to 10 years | Above 10 years | |
| | Rupees in '000 | | | | | | | | | | |
| On-balance sheet financial instruments | | | | | | | | | | | |
| Assets | | | | | | | | | | | |
| Cash and balances with treasury banks | 15,508,968 | 1,365,332 | - | - | - | - | - | - | - | - | 14,123,636 |
| Balances with other banks | 752,710 | 241,426 | - | - | - | - | - | - | - | - | 511,284 |
| Lendings to financial institutions | 11,334,414 | 10,654,523 | 522,993 | 156,898 | - | - | - | - | - | - | - |
| Investments - net | 131,807,489 | 15,796,374 | 53,160,239 | 1,188,730 | 8,303,972 | 10,977,227 | 27,976,498 | 7,610,487 | 2,236,886 | - | 4,588,066 |
| Advances - net | 93,794,134 | 67,683,642 | 7,858,801 | 5,194,022 | 1,794,466 | 2,568,462 | 2,525,985 | 2,340,457 | 980,250 | - | 709,589 |
| Other assets | 3,339,521 | - | - | - | - | - | - | - | - | - | 3,339,521 |
| | 256,537,236 | 95,761,237 | 61,542,033 | 6,539,650 | 10,098,438 | 13,545,889 | 30,502,483 | 9,950,944 | 3,216,146 | 2,138,480 | 23,242,096 |
| Liabilities | | | | | | | | | | | |
| Bills payable | 2,544,028 | - | - | - | - | - | - | - | - | - | 2,544,028 |
| Borrowings | 10,320,047 | 2,408,622 | 4,194,410 | 2,910,121 | 10,211 | 20,422 | 31,437 | 234,560 | 469,716 | - | 40,528 |
| Deposits and other accounts | 226,086,981 | 89,321,228 | 31,651,681 | 33,769,494 | 16,212,383 | 403,922 | 127,844 | 605,424 | - | - | 54,006,955 |
| Sub-ordinated loans | 3,000,000 | - | - | 3,000,000 | - | - | - | - | - | - | - |
| Other liabilities | 4,878,383 | - | - | - | - | - | - | - | - | - | 4,878,383 |
| | 246,841,399 | 91,729,850 | 35,846,091 | 39,679,615 | 16,222,594 | 424,344 | 159,281 | 840,004 | 469,716 | - | 61,469,904 |
| | 9,695,837 | 4,031,447 | 25,695,942 | (33,139,966) | (6,124,156) | 13,121,945 | 30,343,202 | 9,110,940 | 2,746,430 | 2,138,480 | (88,227,808) |
| On-balance sheet financial instruments | | | | | | | | | | | |
| Commitments in respect of forward purchase contracts and commitments to extent credits | 14,738,729 | 9,467,255 | 3,355,355 | 1,021,239 | 384,430 | 312,650 | 207,800 | - | - | - | - |
| Commitments in respect of forward exchange contracts - sell | (15,879,540) | (13,918,445) | (977,889) | (232,768) | (229,988) | (312,650) | (207,800) | - | - | - | - |
| | (1,140,811) | (4,451,190) | 2,377,466 | 788,471 | 154,442 | - | - | - | - | - | - |
| Off-balance sheet gap | | (429,743) | 28,073,408 | (32,351,494) | (5,969,714) | 13,121,345 | 30,343,202 | 9,110,940 | 2,746,430 | 2,138,480 | (88,227,808) |
| Cumulative yield / interest risk sensitivity gap | | | | | | | | | | | |
| | (429,743) | 27,643,665 | (4,707,829) | (10,677,543) | (2,443,802) | 32,787,004 | 41,897,944 | 44,644,374 | 46,782,834 | | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 |
| | Rupees in '000 | | | | | | | | | | |
| Reconciliation to total assets | | | | | | | | | | | |
| Balance as per balance sheet | 388,308,876 | 264,700,493 | Reconciliation to total liabilities | | | | | | | | |
| Less: Non financial assets | | | Balance as per balance sheet | | | | | | | | |
| Investments - net | 1,919,121 | 1,919,121 | Less: Non financial liabilities | | | | | | | | |
| Operating fixed assets | 7,112,821 | 5,837,181 | Other liabilities | | | | | | | | |
| Deferred tax assets - net | - | - | Deferred tax liabilities - net | | | | | | | | |
| Other assets | 689,880 | 406,955 | 371,639,547 | | | | | | | | |
| | 9,721,822 | 8,163,257 | 246,841,399 | | | | | | | | |
| | 378,587,054 | 256,537,236 | 370,842,744 | | | | | | | | |

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

42.4 Liquidity risk

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

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

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

For monitoring and controlling liquidity risk, the Bank generates a scenario sensitive maturity statement of financial position, and run controlled mismatches that are monitored and discussed by ALCO members regularly. The Bank prepares various types of reports and analysis for assisting ALCO in taking necessary strategic actions for managing liquidity risk in the Bank. These include liquidity ratios, Concentration analysis, Gap reports, Stress testing, Liquidity Coverage ratio & Net Stable Funding Ratio analysis etc.

| | 2017 | | | | | | | | |
|---|-------------------|----------------------|---------------------|-------------------------|--------------------|-------------------|-------------------|--------------------|------------------|
| | Upto 1 month | Over 1 to 3 months | Over 3 to 6 months | Over 6 months to 1 year | Over 1 to 2 years | Over 2 to 3 years | Over 3 to 5 years | Over 5 to 10 years | Above 10 years |
| Total | | | | | | | | | |
| Assets | | | | | | | | | |
| Cash and balances with treasury banks | 17,333,788 | - | - | - | - | - | - | - | - |
| Balances with other banks | 1,034,266 | - | - | - | - | - | - | - | - |
| Lendings to financial institutions | 1,281,177 | 1,181,464 | 653,558 | - | - | - | - | - | - |
| Investments | 169,611,558 | 13,468,003 | 3,009,415 | 1,547,184 | 87,494,803 | 18,422,055 | 30,852,786 | 2,433,702 | 1,919,121 |
| Advances | 184,139,582 | 27,634,542 | 32,606,364 | 27,465,900 | 14,458,927 | 16,167,589 | 24,279,218 | 6,102,823 | 2,803,945 |
| Operating fixed assets | 7,112,821 | 418,519 | 178,526 | 345,789 | 613,396 | 504,667 | 789,323 | 942,454 | 3,257,837 |
| Deferred tax assets - net | - | - | - | - | - | - | - | - | - |
| Other assets | 5,960,662 | 4,184,577 | 95 | 51,231 | 527,294 | 443,771 | 740,982 | 11,365 | - |
| | 388,308,876 | 66,980,881 | 36,447,898 | 29,410,104 | 103,094,420 | 35,538,082 | 56,662,309 | 9,490,344 | 7,980,903 |
| Liabilities | | | | | | | | | |
| Bills payable | 3,824,278 | - | - | - | - | - | - | - | - |
| Borrowings | 64,557,043 | 8,092,537 | 5,204,967 | 14,289 | 31,234 | 16,839 | 464,313 | 934,738 | - |
| Deposits and other accounts | 290,077,566 | 37,778,647 | 41,677,829 | 32,621,440 | 1,949,163 | 850,207 | 70,674 | - | - |
| Sub-ordinated loans | 4,998,800 | - | 1,000 | 1,000 | 2,000 | 2,000 | 4,001 | 4,988,799 | - |
| Liabilities against assets subject to finance lease | - | - | - | - | - | - | - | - | - |
| Deferred tax liabilities - net | 796,803 | 4,829 | 7,148 | 2,513 | 4,207 | 19,444 | 6,707 | 49,857 | 699,981 |
| Other liabilities | 7,385,057 | 4,083,751 | 105,545 | 232,333 | 1,020,464 | 1,280,411 | 610,775 | - | - |
| | 371,639,547 | 232,840,590 | 46,996,489 | 32,871,575 | 3,007,088 | 2,188,901 | 1,156,470 | 5,973,394 | 699,981 |
| Net assets | 16,669,329 | (165,859,709) | (10,548,591) | (3,461,471) | 100,087,352 | 33,369,181 | 55,505,839 | 3,516,950 | 7,280,922 |
| Share capital | 10,724,643 | | | | | | | | |
| Discount on issue of shares | (2,105,401) | | | | | | | | |
| Preference Share | 1,500,000 | | | | | | | | |
| Statutory reserve | 1,540,988 | | | | | | | | |
| Unappropriated profit | 4,518,820 | | | | | | | | |
| Surplus on revaluation of assets - net | 490,279 | | | | | | | | |
| | 16,669,329 | | | | | | | | |

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

| | 2016 | | | | | | | | |
|---|--------------|--------------------|--------------------|-------------------------|-------------------|-------------------|-------------------|--------------------|----------------|
| | Upto 1 month | Over 1 to 3 months | Over 3 to 6 months | Over 6 months to 1 year | Over 1 to 2 years | Over 2 to 3 years | Over 3 to 5 years | Over 5 to 10 years | Above 10 years |
| Assets | | | | | | | | | |
| Cash and balances with treasury banks | 15,508,968 | - | - | - | - | - | - | - | - |
| Balances with other banks | 752,710 | - | - | - | - | - | - | - | - |
| Lending to financial institutions | 11,334,414 | 522,993 | 156,898 | - | - | - | - | - | - |
| Investments | 133,726,610 | 56,594,760 | 1,121,097 | 9,199,201 | 11,222,414 | 28,206,684 | 7,790,860 | 2,235,896 | 1,919,121 |
| Advances | 93,794,134 | 8,627,638 | 5,577,305 | 3,889,057 | 5,504,828 | 5,115,687 | 3,980,740 | 2,534,935 | 2,138,460 |
| Operating fixed assets | 5,837,181 | 329,566 | 148,925 | 279,710 | 495,075 | 401,894 | 571,067 | 609,625 | 2,950,114 |
| Deferred tax assets - net | - | - | - | - | - | - | - | - | - |
| Other assets | 3,746,476 | 2,662,712 | - | 304,036 | 272,131 | 387,678 | 96,310 | 23,609 | - |
| | 264,700,493 | 101,492,179 | 7,004,225 | 13,672,004 | 17,494,448 | 34,111,943 | 12,438,977 | 5,404,065 | 7,007,695 |
| Liabilities | | | | | | | | | |
| Bills payable | 2,544,028 | - | - | - | - | - | - | - | - |
| Borrowings | 10,320,047 | 4,194,409 | 2,910,121 | 10,211 | 20,422 | 31,437 | 234,580 | 469,716 | - |
| Deposits and other accounts | 226,098,931 | 31,651,693 | 37,954,631 | 16,212,383 | 403,922 | 127,844 | 605,424 | - | - |
| Sub-ordinated loans | 3,000,000 | - | 600 | 600 | 1,200 | 1,200 | 2,400 | 2,994,000 | - |
| Liabilities against assets subject to finance lease | - | - | - | - | - | - | - | - | - |
| Deferred tax liabilities - net | 1,205,361 | 65,018 | 128,173 | 63,300 | 64,556 | 137,294 | 66,410 | 36,980 | 519,188 |
| Other liabilities | 4,882,600 | 3,022,496 | 31,814 | 101,218 | 424,195 | 941,680 | 267,282 | 93,915 | - |
| | 248,050,967 | 144,201,231 | 38,993,040 | 16,387,712 | 914,295 | 1,239,455 | 1,176,096 | 3,594,611 | 519,188 |
| Net assets | 16,649,526 | (42,709,052) | 27,081,917 | (2,715,708) | 16,580,153 | 32,872,488 | 11,262,881 | 1,809,454 | 6,488,507 |
| Share capital | 10,724,643 | | | | | | | | |
| Discount on issue of shares | (2,105,401) | | | | | | | | |
| Preference shares | 1,500,000 | | | | | | | | |
| Statutory reserve | 1,334,139 | | | | | | | | |
| Unappropriated profit | 3,973,324 | | | | | | | | |
| Surplus on revaluation of assets - net | 1,222,820 | | | | | | | | |
| | 16,649,526 | | | | | | | | |

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

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

| | | 2017 | | | | | | | | | |
|---|-------------------|---------------------|--------------------|---------------------|-------------------------|-------------------|-------------------|---------------------|--------------------|------------------|---|
| | | Rupees in '000 | | | | | | | | | |
| | Total | Upto 1 month | Over 1 to 3 months | Over 3 to 6 months | Over 6 months to 1 year | Over 1 to 2 years | Over 2 to 3 years | Over 3 to 5 years | Over 5 to 10 years | Above 10 years | |
| Assets | | | | | | | | | | | |
| Cash and balances with treasury banks | 17,333,788 | 17,333,788 | - | - | - | - | - | - | - | - | - |
| Balances with other banks | 1,034,266 | 1,034,266 | - | - | - | - | - | - | - | - | - |
| Lendings to financial institutions | 3,116,199 | 1,281,177 | 1,181,464 | 653,558 | - | - | - | - | - | - | - |
| Investments | 169,611,558 | 10,464,489 | 13,468,003 | 3,009,415 | 1,547,184 | 87,494,803 | 18,422,055 | 30,862,786 | 2,433,702 | 1,919,121 | |
| Advances | 184,139,582 | 26,049,257 | 32,529,303 | 32,298,182 | 32,006,484 | 13,087,047 | 14,986,272 | 24,276,269 | 6,102,823 | 2,803,945 | |
| Operating fixed assets | 7,112,821 | 62,310 | 418,519 | 178,526 | 345,789 | 613,396 | 504,667 | 789,323 | 942,454 | 3,257,837 | |
| Deferred tax assets - net | - | - | - | - | - | - | - | - | - | - | - |
| Other assets | 5,960,662 | 4,184,577 | 1,407 | 35 | 51,231 | 527,294 | 443,771 | 740,982 | 11,365 | - | |
| | 388,308,876 | 60,409,864 | 47,598,696 | 36,139,716 | 33,950,688 | 101,722,540 | 34,356,765 | 56,659,360 | 9,490,344 | 7,980,903 | |
| Liabilities | | | | | | | | | | | |
| Bills payable | 3,824,278 | 3,824,278 | - | - | - | - | - | - | - | - | - |
| Borrowings | 64,557,043 | 49,798,126 | 8,092,537 | 5,204,967 | 14,289 | 31,234 | 16,839 | 464,313 | 934,738 | - | |
| Deposits and other accounts | 290,077,566 | 46,170,685 | 43,579,674 | 48,699,165 | 39,643,889 | 12,176,863 | 13,514,535 | 86,292,755 | - | - | |
| Sub-ordinated loans | 4,998,800 | - | - | 1,000 | 1,000 | 2,000 | 2,000 | 4,001 | 4,988,799 | - | |
| Liabilities against assets subject to finance lease | - | - | - | - | - | - | - | - | - | - | |
| Deferred tax liabilities - net | 796,803 | 4,829 | 2,117 | 7,148 | 2,513 | 4,207 | 19,444 | 6,707 | 49,857 | 699,981 | |
| Other liabilities | 7,385,057 | 4,083,751 | 51,778 | 105,545 | 232,333 | 1,020,464 | 1,280,411 | 610,775 | - | - | |
| | 371,639,547 | 103,881,669 | 51,726,106 | 54,017,825 | 39,894,024 | 13,234,768 | 14,833,229 | 87,378,551 | 5,973,394 | 699,981 | |
| Net assets | 16,669,329 | (43,471,805) | (4,127,410) | (17,878,109) | (5,943,336) | 88,487,772 | 19,523,536 | (30,719,191) | 3,516,950 | 7,280,922 | |
| Share capital | 10,724,643 | - | - | - | - | - | - | - | - | - | |
| Discount on issue of shares | (2,105,401) | - | - | - | - | - | - | - | - | - | |
| Preference Share | 1,500,000 | - | - | - | - | - | - | - | - | - | |
| Statutory reserve | 1,540,988 | - | - | - | - | - | - | - | - | - | |
| Unappropriated profit | 4,518,820 | - | - | - | - | - | - | - | - | - | |
| Surplus on revaluation of assets - net | 490,279 | - | - | - | - | - | - | - | - | - | |
| | 16,669,329 | - | - | - | - | - | - | - | - | - | |

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

For determining the core portion of non contractual liabilities (non-volatile portion), the bank has used the average method whereby average balance maintained over past five year has been classified as core and has been placed in 'over 3 to 5 years' maturity bucket. Non contractual assets and remaining volatile portion of non contractual liabilities have been stratified in relevant maturity bucket using bucket wise percentages determined by using average volatility in respective period / bucket.

| | Upto 1 month | Over 1 to 3 months | Over 3 to 6 months | Over 6 months to 1 year | Over 1 to 2 years | Over 2 to 3 years | Over 3 to 5 years |
|------------------|--------------|--------------------|--------------------|-------------------------|-------------------|-------------------|-------------------|
| Weighted average | 3% | 4% | 5% | 5% | 8% | 10% | 65% |

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

| | | 2016 | | | | | | | | |
|--|---|--------------------|--------------------|-------------------------|-------------------------|-------------------|-------------------|--------------------|--------------------|----------------|
| | | Rupees in '000 | | | | | | | | |
| | Total | Upto 1 month | Over 1 to 3 months | Over 3 to 6 months | Over 6 months to 1 year | Over 1 to 2 years | Over 2 to 3 years | Over 3 to 5 years | Over 5 to 10 years | Above 10 years |
| Assets | | | | | | | | | | |
| Cash and balances with treasury banks | 15,508,968 | - | - | - | - | - | - | - | - | - |
| Balances with other banks | 752,710 | - | - | - | - | - | - | - | - | - |
| Lending to financial institutions | 11,334,414 | 10,654,523 | 522,933 | 156,898 | - | - | - | - | - | - |
| Investments | 133,726,610 | 15,436,577 | 56,594,760 | 1,121,097 | 9,199,201 | 11,222,414 | 28,206,684 | 7,790,860 | 2,235,896 | 1,919,121 |
| Advances | 93,794,134 | 17,867,248 | 18,592,126 | 19,874,179 | 18,185,931 | 5,504,828 | 5,115,687 | 3,980,740 | 2,534,935 | 2,138,460 |
| Operating fixed assets | 5,837,181 | 51,205 | 329,566 | 148,925 | 279,710 | 495,075 | 401,894 | 571,067 | 609,625 | 2,950,114 |
| Deferred tax assets - net | 3,746,476 | 2,662,712 | - | - | 304,036 | 272,131 | 387,678 | 96,310 | 23,609 | - |
| Other assets | 264,700,493 | 62,933,943 | 76,039,445 | 21,301,099 | 27,968,878 | 17,494,448 | 34,111,943 | 12,438,977 | 5,404,065 | 7,007,695 |
| | 2,544,028 | 2,449,150 | 4,194,410 | 2,910,121 | 10,211 | 20,422 | 31,437 | 234,580 | 469,716 | - |
| | 10,320,047 | 39,323,723 | 37,070,093 | 44,371,335 | 22,280,294 | 8,437,839 | 11,637,437 | 62,978,210 | 2,994,000 | - |
| | 226,098,931 | - | - | 600 | 600 | 1,200 | 1,200 | 2,400 | - | - |
| | 3,000,000 | - | - | - | - | - | - | - | - | - |
| | Liabilities against assets subject to finance lease | - | - | - | - | - | - | - | - | - |
| | Deferred tax liabilities - net | 65,018 | 124,442 | 128,173 | 63,300 | 64,556 | 137,294 | 66,410 | 36,980 | 519,188 |
| | Other liabilities | 4,882,600 | 3,022,496 | 31,814 | 101,218 | 424,195 | 941,680 | 267,282 | 93,915 | - |
| | 248,050,967 | 44,381,919 | 44,411,441 | 47,442,043 | 22,455,623 | 8,948,212 | 12,749,048 | 63,548,882 | 3,594,611 | 519,188 |
| | 16,649,526 | 18,552,024 | 31,628,004 | (26,140,944) | 5,513,255 | 8,546,236 | 21,362,895 | (51,109,905) | 1,809,454 | 6,488,507 |
| Net assets | | | | | | | | | | |
| Share capital | 10,724,643 | - | - | - | - | - | - | - | - | - |
| Discount on issue of shares | (2,105,401) | - | - | - | - | - | - | - | - | - |
| Preference shares | 1,500,000 | - | - | - | - | - | - | - | - | - |
| Statutory reserve | 1,334,139 | - | - | - | - | - | - | - | - | - |
| Unappropriated profit | 3,973,324 | - | - | - | - | - | - | - | - | - |
| Surplus on revaluation of assets - net | 1,222,820 | - | - | - | - | - | - | - | - | - |
| | 16,649,525 | - | - | - | - | - | - | - | - | - |
| | 3% | 5% | 6% | 6% | 6% | 8% | 11% | 61% | | |
| | Upto 1 month | Over 1 to 3 months | Over 3 to 6 months | Over 6 months to 1 year | Over 1 to 2 years | Over 2 to 3 years | Over 3 to 5 years | Over 5 to 10 years | Above 10 years | |
| | 3% | 5% | 6% | 6% | 8% | 11% | 61% | | | |
| | Weighted average | | | | | | | | | |

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

42.5 Apart from monitoring maturity gap analysis, the Bank is also required to monitor and maintain Liquidity Coverage Ratio(LCR)andNetStableFundingRatio(NSFR)asintroducedunderBaselIIIliquidityStandardsintroducedbySBP.

The LCR is intended to promote the short term resilience of a bank's liquidity risk profile over a 30 day stress scenario. The ratio is defined as the amount of High Quality Liquid Assets ("HQLA") that could be used to raise liquidity, measured against the total volume of net cash outflows, arising from both actual and contingent exposures, in a stressed scenario. As of December 31, 2017, Bank's were required to maintain LCR greater than and equal to 90%. The requirement will increase to 100% after full implementation of Basel III in December 2018.

| LCR | | | |
|-----------------------------------|--|----------------------------------|--------------------------------|
| (in local currency) | | TOTAL UNWEIGHTED VALUE (average) | TOTAL WEIGHTED VALUE (average) |
| HIGH QUALITY LIQUID ASSETS | | | |
| 1 | Total high quality liquid assets (HQLA) | | 123,802,090.75 |
| CASH OUTFLOWS | | | |
| 2 | Retail deposits and deposits from small business customers of which: | - | - |
| 2.1 | stable deposit | 5,027,564.07 | 251,378.20 |
| 2.2 | Less stable deposit | 81,284,946.43 | 8,128,494.64 |
| 3 | Unsecured wholesale funding of which: | - | - |
| 3.1 | Operational deposits (all counterparties) | - | - |
| 3.2 | Non-operational deposits (all counterparties) | 81,929,020.27 | 36,146,340.10 |
| 3.3 | Unsecured debt | - | - |
| 4 | Secured wholesale funding | - | 46,412.19 |
| 5 | Additional requirements of which: | - | - |
| 5.1 | Outflows related to derivative exposures and other collateral requirements | 1,932,468.56 | 1,932,468.56 |
| 5.2 | Outflows related to loss of funding on debt products | - | - |
| 5.3 | Credit and Liquidity facilities | 170,319,324.82 | 2,804,660.40 |
| 6 | Other contractual funding obligations | 5,466,574.65 | 5,466,574.65 |
| 7 | Other contingent funding obligations | - | - |
| 8 | TOTAL CASH OUTFLOWS | - | 54,776,328.75 |
| CASH INFLOWS | | | |
| 9 | Secured lending | - | - |
| 10 | Inflows from fully performing exposures | 10,714,365.50 | 5,691,584.02 |
| 11 | Other Cash inflows | 2,359,890.21 | 1,478,838.21 |
| 12 | TOTAL CASH INFLOWS | 13,074,255.71 | 7,170,422.22 |
| 21 | TOTAL HQLA | | 123,802,090.75 |
| 22 | TOTAL NET CASH OUTFLOWS | | 47,605,906.52 |
| 23 | LIQUIDITY COVERAGE RATIO | | 260% |

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

- 42.6 The NSFR is intended to reduce medium to long-term funding risks by requiring bank to maintain a stable funding profile in relation to their on- and off-balance sheet activities. The NSFR is defined as the amount of Available Stable Funding (the portion of capital and liabilities expected to be a stable source of funding), relative to the amount of Required Stable Funding (a function of the liquidity characteristics of various assets held). Banks are required to maintain NSFR equal and above 100% at all times.

| NSFR Disclosure | | | | | LR IX |
|------------------------------|---------------------------------------|------------|--------------------|--------|----------------|
| (Amount in PKR in thousands) | unweighted value by residual maturity | | | | weighted value |
| | No Maturity | < 6 months | 6 months to < 1 yr | ≥ 1 yr | |

| ASF Item | | | | | | |
|----------|---|------------|------------|------------|-----------|-------------|
| 1 | Capital: | | | | | |
| 2 | Regulatory capital | 10,119,242 | | | | 10,119,242 |
| 3 | Other capital instruments | 11,576,461 | | | | 11,554,403 |
| 4 | Retail deposits and deposit from small business customers: | | | | | |
| 5 | Stable deposits | 5,720,313 | 5,396,305 | 1,378,437 | 631,468 | 12,470,196 |
| 6 | Less stable deposits | 80,069,816 | 16,314,942 | 4,864,152 | 200,627 | 91,304,584 |
| 7 | Wholesale funding: | | | | | |
| 8 | Operational deposits | | | | | |
| 9 | Other wholesale funding | 51,052,889 | 96,031,817 | 26,378,851 | 2,037,949 | 87,750,753 |
| 10 | Other liabilities: | | | | | |
| 11 | NSFR derivative liabilities | | | | 9,889,848 | - |
| 12 | All other liabilities and equity not included in other categories | 6,215,143 | 65,542,624 | 555,655 | 4,249,759 | 24,574,222 |
| 13 | Total ASF | | | | | 237,773,400 |

| RSF item | | | | | | |
|----------|---|------------|-------------|-----------|-------------|-------------|
| 14 | Total NSFR high-quality liquid assets (HQLA) | | | | | |
| 15 | Deposits held at other financial institutions for operational purposes | | | | | |
| 16 | Performing loans and securities: | | | | | |
| 17 | Performing loans to financial institutions secured by Level 1 HQLA | | | | | |
| 18 | Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions | - | 3,631,813 | 48,042 | - | 568,793 |
| 19 | Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which: | | | | | |
| 20 | With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk | 1,129,830 | 3,191,950 | 661,313 | 6,435,937 | 7,422,370 |
| 21 | Securities that are not in default and do not qualify as HQLA including exchange-traded equities. | 64,876,882 | 41,990,838 | 8,284,136 | 53,253,799 | 143,144,807 |
| 22 | Other assets: | | | | | |
| 23 | Physical traded commodities, including gold | | | | | |
| 24 | Assets posted as initial margin for derivative contracts | | | | | |
| 25 | NSFR derivative assets | | - | 9,823,359 | - | |
| 26 | NSFR derivative liabilities before deduction of variation margin posted | | | | 1,977,970 | 1,977,970 |
| 27 | All other assets not included in the above categories | 32,879,700 | 30,851,039 | 1,492,184 | 138,818,346 | 64,787,083 |
| 28 | Off-balance sheet items | | 156,307,402 | | | 7,815,370 |
| 29 | Total RSF | | | | | 225,716,392 |
| 30 | Net Stable Funding Ratio (%) | | | | | 105% |

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

42.7 Operational risk

The Bank currently uses Basic Indicator Approach to Operational Risk for regulatory capital calculations. We define 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 Operational Risk Management into a separate distinct discipline, the Bank's strategy is to further strengthen its risk management system along new industry standards. Accordingly the Bank has set up a separate Operational Risk Management (ORM) Unit. ORM Unit resides within Risk Management Group (RMG). Its responsibility is to implement Operational Risk management tools across the bank for effective measurement and monitoring of operational risk faced by different areas of the Bank.

Bank's operational risk management process involves a structured and uniform approach across the bank. It includes risk identification and assessments, the monitoring of Key Risk Indicators (KRIs) and Risk Control Self-Assessment (RCSA) activities for key operational risks. In order to build a robust operational risk monitoring mechanism, an Operational Risk Steering Committee (ORSC) has been constituted to effectively address operational risk issues.

The bank has implemented a comprehensive "Operational Risk Management Framework" which has also been approved by the Board of Directors. The purpose of bank-wide Operational Risk Management Framework is aimed at laying out clearly defined roles and responsibilities of individuals / units across different functions of the bank that are involved in performing various operational risk management tasks. Operational risk is much more pervasive in a financial institution and every operating unit is exposed to operational risk, regardless of whether it is a business or a support function. This framework has been devised to explain the various building blocks of the operational risk management processes, and their inter-relationships. The framework also captures both qualitative and quantitative guidelines for managing and quantifying operational risks across the Bank.

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

Operation risk loss data collection is governed by bank's Transaction in Difficulty (TID) Policy which has been developed and implemented to collate operational losses and near misses in a systematic and organized way.

The bank's Business Continuity (BCP) Policy includes risk management strategies to mitigate inherent risks and prevent interruption of mission critical services caused by disaster events. The resilience of BCP is tested and rehearsed on an annual basis by the bank.

43. CUSTOMER SATISFACTION AND FAIR TREATMENT

We are committed to providing our customers with the highest level of service quality satisfaction and have therefore set-up an independent service management function that oversees service quality, phone banking, problem resolution and the fair treatment of customers.

A total of 11,512 complaints were received by the Bank in 2017 and the average time taken to resolve these complaints was 5 days. Our complaint handling policy and grievance redressal mechanism ensures that complaints are resolved in a timely manner and recurrence of complaints is prevented where possible. Customers have the option of registering their complaints at our Branches, phone banking center, the Bank's website and via email. Complaint management process is kept as transparent as possible through

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2017

registration, acknowledgement, interim response where applicable, resolution and root cause analysis of recurring complaints. Customers are also given the option of contacting the Banking Mohtasib office in case they are dissatisfied with the response received from the Bank.

To create enhanced visibility of the recourse mechanism available to its customers, the Bank has incorporated awareness messages of its complaint handling function in several customer communications such as account statements, ATM screens, letters and SMS messages. Complete grievance redressal mechanism, contact channels and online feedback forms have been made available through the the Bank website, and email broadcasts have been sent to the customers for customer education and awareness.

Fair Treatment of Customers is an integral part of our corporate culture. The Bank has institutionalized a 'Consumer Protection Framework'. Our priority is to keep customer benefits in mind while designing, selling and managing products and services, without any discrimination. Our focus is to maintain fairness in our customer dealings, clarity in communication, develop a service culture and design an effective grievance handling mechanism. We also focus on financial literacy of our customers, for promoting responsible conduct and informed financial decisions by consumers, through our Consumer Education and Financial Literacy Program.

44. GENERAL

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

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

45. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors have proposed cash preference dividend of 12% (December 31, 2016: 12%) amounting to Rs.180 million (December 31, 2016: Rs.180 million) in their meeting held on March 03, 2018. This appropriation will be approved in the forth coming Annual General Meeting.

46. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial statements were authorised for issue by the Board of Directors of the Bank in their meeting held on March 03, 2018.

Chairman

President and
Chief Executive Officer

Director

Director

Chief Financial Officer

Consolidated Financial Statements

Directors' Report on Consolidated Financial Statement

For the year ended December 31, 2017

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

Consolidated financial highlights

| | 2017 | 2016 |
|---|------------------|-----------|
| | (PKR Million) | |
| Profit before taxation | 1,862.7 | 3,854.1 |
| Taxation | (795.8) | (1,395.5) |
| Profit after taxation | 1,066.9 | 2,458.6 |
| Profit attributable to non-controlling interest | (40.0) | (129.7) |
| Profit attributable to equity holders of the Bank | 1,026.9 | 2,328.9 |
| Earnings per share - Basic (Rupees) | 0.79 | 2.00 |
| Diluted (Rupees) | 0.79 | 1.80 |
| Investments - net | 170,288.8 | 135,038.9 |
| Total assets | 390,953.9 | 268,825.6 |
| Deposits | 288,365.0 | 225,004.7 |
| Shareholders' equity | 18,587.0 | 17,746.4 |

Pattern of Shareholding

The pattern of shareholding as at December 31, 2017 is included in the annual report

Subsidiaries Companies

JS Global Capital Limited

JS Global Capital Limited is one of the largest securities brokerage and investment banking firms in Pakistan with a leadership position in the domestic capital markets. It is in the business of equity, fixed income, currencies and commodities brokerage and investment banking. It was incorporated in Pakistan on June 28, 2000 and is the successor to the securities business of Jahangir Siddiqui & Co. Ltd. and Bear Stearns Jahangir Siddiqui Limited. JS Bank has 67.16% ownership in the company.

JS Global has a paid up capital of PKR 380 million and shareholder equity of PKR 2,601 million as at December 31, 2017. It is listed on the Pakistan Stock Exchange.

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

Summarized results of the company are set out below:

| PKR Million | | |
|-------------------|----------------------------|----------------------------|
| Particulars | December 31,2017 (Audited) | December 31,2016 (Audited) |
| Profit Before Tax | 198.4 | 239 |
| Profit After Tax | 85.5 | 171 |
| EPS (Rupees) | 2.25 | 4.13 |

JS Investments Limited

JS Investments has a paid up capital of PKR 802 million and shareholder equity of PKR 2,162 million as on December 31, 2017. It is listed on the Pakistan Stock Exchange. JS Bank has 65.16% ownership in the company.

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

The Company holds a license of an Investment Adviser and Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). In addition, the Company is also a licensed Pension Fund Manager under the Voluntary Pension System Rules 2005, to manage voluntary pension schemes.

Summarized results of the Company are set out below:

| PKR Million | | |
|-------------------|----------------------------|----------------------------|
| Particulars | December 31,2017 (Audited) | December 31,2016 (Audited) |
| Profit before tax | 67.5 | 209.8 |
| Profit after tax | 32.2 | 199.7 |
| EPS (Rupees) | 0.40 | 2.49 |

For and on behalf of the Board,

Khalid Imran
President & CEO

March 3, 2018

پاکستان کریڈٹ ریٹنگ کمپنی (پاکرا) نے جے ایس گلوبل کو طویل المدت اور قلیل مدت ادارتی ریٹنگ ”اے اے“ (ڈبل اے) اور ”A1+“ (اے ون پلس) بالترتیب جاری کئے۔ یہ ریٹنگ مالیاتی وعدوں کی بروقت تکمیل کی مضبوط صلاحیت اور کریڈٹ رسک کی کم سے کم امکانات ظاہر کرتی ہے۔

ذیل میں کمپنی کے نتائج کا خلاصہ موجود ہے۔

ملین روپے

| مندرجات | 31 دسمبر 2017 (آڈٹ شدہ) | 31 دسمبر 2016 (آڈٹ شدہ) |
|-------------------|-------------------------|-------------------------|
| منافع قبل از ٹیکس | 198.4 | 239 |
| منافع بعد از ٹیکس | 85.5 | 171 |
| ای پی ایس (روپے) | 2.25 | 4.13 |

جے ایس انویسٹمنٹس لمیٹڈ

جے ایس انویسٹمنٹس نے 31 دسمبر 2017 تک 802 ملین روپے کا سرمایہ اور 1,162 ملین روپے کی شیئر ہولڈر میٹرونی ادا کی۔ یہ پاکستان اسٹاک ایکسچینج میں موجود ہے۔ جے ایس بینک کے پاس کمپنی کی 65.16% ملکیت ہے۔

کمپنی کے پاس JCR-VIS کی جانب سے جاری کردہ بیئرنٹ کوالٹی کی ریٹنگ AM-2 اور پاکرا کی جانب سے جاری "A+/A1" (طویل المدت/قلیل المدت) ریٹنگ موجود ہے۔

کمپنی کے پاس نان بینکنگ فنانس کمپنیز (قیام اور قوانین) رولز، 2003 (این بی ایف سی رولز) نان بینکنگ فنانس کمپنیز اور نوٹیفائیڈ انٹیمیز ریگولیشنز، 2008 (این بی ایف سی ریگولیشن) کے تحت انویسٹمنٹ ایڈوائزر اور ایسٹ بیئرنٹ کمپنی کے لائسنس ہیں۔ مزید یہ کہ، بیئرنٹ اسکیمز کے رضا کارانہ انتظام کے لئے کمپنی کو وائٹ لیبلڈ سسٹم رولز، 2005 کے تحت بیئرنٹ فنڈ منیجر کا لائسنس بھی حاصل ہے

کمپنی کے نتائج کا خلاصہ درج ذیل ہے

ملین روپے

| مندرجات | 31 دسمبر 2017 (آڈٹ شدہ) | 31 دسمبر 2016 (آڈٹ شدہ) |
|-------------------|-------------------------|-------------------------|
| منافع قبل از ٹیکس | 67.5 | 209.8 |
| منافع بعد از ٹیکس | 32.2 | 199.7 |
| ای پی ایس (روپے) | 0.40 | 2.49 |

مخائب بورڈ

خالد عمران

پریزیڈنٹ اور سی ای او

3 مارچ، 2018

کنسولڈیٹڈ فنانشل اسٹیٹمنٹ سے متعلق ڈائریکٹرز کی رپورٹ

31 دسمبر 2017 کو ختم ہونے والے سال کے لئے

بورڈ آف ڈائریکٹرز کی جانب سے مجھے جے ایس بینک لمیٹڈ (ہولڈنگ کمپنی)، جے ایس گلوبل کیپٹل لمیٹڈ اور جے ایس انویسٹمنٹ لمیٹڈ (سبسڈری کمپنیوں) کی سالانہ کنسولڈیٹڈ فنانشل اسٹیٹمنٹ پیش کرتے ہوئے بے حد مسرت محسوس ہو رہی ہے۔

یکجا مالیاتی بیان کے چیدہ نکات

| 2016 | 2017 | |
|-----------|-----------|---------------------------------------|
| | | (ملین روپے) |
| 3,854.1 | 1,862.7 | منافع قبل از ٹیکس |
| (1,395.5) | (795.8) | ٹیکس |
| 2,458.6 | 1,066.9 | منافع بعد از ٹیکس |
| (129.7) | (40.0) | نان-کنٹرولنگ انٹرسٹ سے منسلک منافع |
| 2,328.9 | 1,026.9 | بینک کے ایکویٹی ہولڈرز سے منسلک منافع |
| 2.00 | 0.79 | فی شیئر آمدنی - بینک (روپے) |
| 1.80 | 0.79 | - ڈائریکٹیوٹڈ (روپے) |
| 135,038.9 | 170,288.8 | انویسٹمنٹس - نیٹ |
| 268,825.6 | 390,953.9 | کل سرمایہ |
| 225,004.7 | 288,365.0 | ڈپازٹس |
| 17,746.4 | 18,587.0 | شیئر ہولڈرز ایکویٹی |

شیئر ہولڈنگ کا پٹرن

31 دسمبر 2017 تک کا شیئر ہولڈنگ کا پٹرن سالانہ رپورٹ میں دیا گیا ہے

سبسڈری کمپنیز

جے ایس گلوبل کیپٹل لمیٹڈ

جے ایس گلوبل کیپٹل لمیٹڈ پاکستان کے ممتاز سیکورٹی بروکر تاج اور انویسٹمنٹ بینکنگ فرمز میں سے ایک ہے اور ڈومیسٹک کیپٹل مارکیٹس میں سرفہرست ہے۔ یہ ایکویٹی، فکسڈ انکم، کرنسیز، کموڈٹیز بروکر تاج اور انویسٹمنٹ بینکنگ کے کاروبار سے منسلک ہے۔ پاکستان میں اس کی تشکیل 28 جون 2000 کو ہوئی اور یہ جہاں گیکر صدیقی اینڈ کولمبیٹڈ اور بیزار اسٹریٹز جہاں گیکر صدیقی لمیٹڈ کے سیکورٹیز برنس کی جانشین ہے۔ جے ایس بینک کمپنی میں 67.16% ملکیت کی حامل ہے۔

31 دسمبر 2017 تک جے ایس گلوبل نے 380 ملین روپے کا سرمایہ اور 2,601 ملین روپے کے شیئر ہولڈرز ایکویٹی ادا کئے۔

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of **JS Bank Limited** and its subsidiary companies (the Group) as at **31 December 2017** and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of the JS Bank Limited and its subsidiary companies namely JS Global Capital Limited, JS Investments Limited and JS ABAMCO Commodities Limited. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express our opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly the financial position of the JS Bank Limited and its subsidiary companies as at 31 December 2017 and the results of their operations for the year then ended.



Chartered Accountants

Audit Engagement Partner: Shabbir Yunus

Date: 06 March 2018

Karachi

Consolidated Statement of Financial Position

As at December 31, 2017

| 2017 | 2016 | | 2017 | 2016 |
|------------------------------|------------------|--|---------------------------------|--------------------|
| ---- US Dollars in '000 ---- | | | Note ----- Rupees in '000 ----- | |
| ASSETS | | | | |
| 156,987 | 140,461 | Cash and balances with treasury banks | 8 17,334,111 | 15,509,263 |
| 9,505 | 6,953 | Balances with other banks | 9 1,049,496 | 767,747 |
| 28,222 | 102,651 | Lendings to financial institutions | 10 3,116,199 | 11,334,414 |
| 1,542,231 | 1,222,988 | Investments - net | 11 170,288,835 | 135,038,901 |
| 1,667,867 | 849,619 | Advances - net | 12 184,161,175 | 93,812,506 |
| 68,737 | 54,535 | Operating fixed assets | 13 7,589,702 | 6,021,563 |
| - | - | Deferred tax assets - net | - | - |
| 67,149 | 57,429 | Other assets | 14 7,414,358 | 6,341,197 |
| 3,540,698 | 2,434,636 | | 390,953,876 | 268,825,591 |
| LIABILITIES | | | | |
| 34,635 | 23,040 | Bills payable | 15 3,824,278 | 2,544,028 |
| 584,665 | 93,464 | Borrowings | 16 64,557,043 | 10,320,047 |
| 2,611,595 | 2,037,768 | Deposits and other accounts | 17 288,365,014 | 225,004,655 |
| 45,272 | 27,170 | Sub-ordinated loans | 18 4,998,800 | 3,000,000 |
| 46 | - | Liabilities against assets subject to finance lease | 19 5,032 | - |
| 6,221 | 9,807 | Deferred tax liabilities - net | 20 686,941 | 1,082,885 |
| 80,141 | 64,408 | Other liabilities | 21 8,848,854 | 7,111,582 |
| 3,362,575 | 2,255,657 | | 371,285,962 | 249,063,197 |
| 178,123 | 178,979 | NET ASSETS | 19,667,914 | 19,762,394 |
| REPRESENTED BY | | | | |
| 97,128 | 97,128 | Share capital | 22 10,724,643 | 10,724,643 |
| (19,068) | (19,068) | Discount on issue of shares | (2,105,401) | (2,105,401) |
| 13,585 | 13,585 | Preference shares | 23 1,500,000 | 1,500,000 |
| 13,956 | 12,083 | Reserves | 1,540,987 | 1,334,121 |
| 49,479 | 44,002 | Unappropriated profit | 5,463,357 | 4,858,613 |
| 155,080 | 147,730 | | 17,123,586 | 16,311,976 |
| 13,254 | 12,991 | Non-controlling interest | 1,463,454 | 1,434,391 |
| 168,334 | 160,721 | | 18,587,040 | 17,746,367 |
| 9,789 | 18,258 | Surplus on revaluation of assets - net of tax | 24 1,080,874 | 2,016,027 |
| 178,123 | 178,979 | | 19,667,914 | 19,762,394 |

CONTINGENCIES AND COMMITMENTS

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The annexed notes from 1 to 48 and annexure I and II form an integral part of these consolidated financial statements.

Chairman

President and
Chief Executive Officer

Director

Director

Chief Financial Officer

Consolidated Profit and Loss Account

For the year ended December 31, 2017

| 2017 ---- US Dollars in '000 ---- | 2016 | | Note | 2017 ----- Rupees in '000 ----- | 2016 |
|--|----------|---|--------------------|------------------------------------|-------------|
| 185,544 | 137,387 | Mark-up / return / interest earned | 26 | 20,487,216 | 15,169,894 |
| 127,496 | 84,029 | Mark-up / return / interest expensed | 27 | 14,077,742 | 9,278,234 |
| 58,048 | 53,358 | Net mark-up / interest income | | 6,409,474 | 5,891,660 |
| (1,837) | 577 | (Provision) / reversal against non-performing loans and advances - net | 12.4 | (202,814) | 63,687 |
| (768) | (3,078) | Provision for diminution in value of investments - net | 11.3 | (84,797) | (339,904) |
| - | (1) | Bad debts written off directly | | - | (83) |
| (2,605) | (2,502) | | | (287,611) | (276,300) |
| 55,443 | 50,856 | Net mark-up / interest income after provisions | | 6,121,863 | 5,615,360 |
| NON MARK-UP / INTEREST INCOME | | | | | |
| 25,961 | 18,869 | Fee, commission and brokerage income | 28 | 2,866,534 | 2,083,432 |
| 2,280 | 1,644 | Dividend income | | 251,733 | 181,522 |
| 3,236 | 2,832 | Income from dealing in foreign currencies | | 357,337 | 312,719 |
| 12,466 | 28,858 | Gain on sale of securities - net | 29 | 1,376,441 | 3,186,450 |
| (36) | 162 | Unrealised (loss) / gain on revaluation of investments classified as held-for-trading - net | 11.4 | (3,958) | 17,854 |
| 1,788 | 730 | Other income - net | 30 | 197,426 | 80,591 |
| 45,695 | 53,095 | Total non mark-up / interest income | | 5,045,513 | 5,862,568 |
| 101,138 | 103,951 | | | 11,167,376 | 11,477,928 |
| NON MARK-UP / INTEREST EXPENSES | | | | | |
| 83,399 | 68,016 | Administrative expenses | 31 | 9,208,732 | 7,510,102 |
| 406 | 48 | Other provisions / write offs | | 44,806 | 5,281 |
| 463 | 982 | Other charges | 32 | 51,161 | 108,423 |
| 84,268 | 69,046 | Total non-mark-up / interest expenses | | 9,304,699 | 7,623,806 |
| 16,870 | 34,905 | | | 1,862,677 | 3,854,122 |
| - | - | Extra ordinary / unusual items | | - | - |
| 16,870 | 34,905 | PROFIT BEFORE TAXATION | | 1,862,677 | 3,854,122 |
| Taxation | | | | | |
| (6,084) | (10,386) | - Current | | (671,821) | (1,146,823) |
| (796) | (806) | - Prior years | | (87,938) | (88,993) |
| (326) | (1,446) | - Deferred | 20.1 | (36,032) | (159,672) |
| (7,206) | (12,638) | | 33 | (795,791) | (1,395,488) |
| 9,664 | 22,267 | PROFIT AFTER TAXATION | | 1,066,886 | 2,458,634 |
| Attributable to: | | | | | |
| 9,300 | 21,092 | Equity holders of the Bank | | 1,026,839 | 2,328,959 |
| 364 | 1,175 | Non-controlling interest | | 40,047 | 129,675 |
| 9,664 | 22,267 | | | 1,066,886 | 2,458,634 |
| ----- US Dollar ----- | | | ----- Rupees ----- | | |
| 0.01 | 0.02 | Basic earnings per share | 34 | 0.79 | 2.00 |
| 0.01 | 0.02 | Diluted earnings per share | 34 | 0.79 | 1.80 |

The annexed notes from 1 to 48 and annexure I and II form an integral part of these consolidated financial statements.

Chairman

President and
Chief Executive Officer

Director

Director

Chief Financial Officer

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2017

| 2017 ---- US Dollars in '000 ---- | 2016 | | Note | 2017 ----- Rupees in '000 ----- | 2016 |
|--------------------------------------|----------|--|------|------------------------------------|-------------|
| 9,664 | 22,267 | Profit after tax for the year | | 1,066,886 | 2,458,634 |
| | | Other comprehensive income | | | |
| | | Items that will not be reclassified to profit and loss account | | | |
| (775) | (516) | Actuarial loss on defined benefit plan | 37.5 | (85,542) | (56,991) |
| 271 | 181 | Related deferred tax | | 29,940 | 19,947 |
| (504) | (335) | | | (55,602) | (37,044) |
| | | Items that may be reclassified to profit or loss in subsequent periods | | | |
| 111 | - | Effect of translation of net investment in foreign branches | | 12,236 | (17) |
| (393) | (335) | | | (43,366) | (37,061) |
| 9,271 | 21,932 | Comprehensive income transferred to equity | | 1,023,520 | 2,421,573 |
| | | Component of comprehensive income not reflected in equity | | | |
| | | Items that are or may be reclassified subsequently to profit and loss account | | | |
| (20,904) | (15,105) | Net change in fair value of available-for-sale securities | | (2,308,109) | (1,667,860) |
| 6,368 | 5,890 | Related deferred tax | | 703,176 | 650,346 |
| (14,536) | (9,215) | | | (1,604,933) | (1,017,514) |
| (5,265) | 12,717 | Total comprehensive (loss) / income for the year | | (581,413) | 1,404,059 |
| | | Attributable to: | | | |
| (4,984) | 10,797 | Equity holders of the Bank | | (550,334) | 1,192,175 |
| (281) | 1,920 | Non-controlling interest | | (31,079) | 211,884 |
| (5,265) | 12,717 | | | (581,413) | 1,404,059 |

The annexed notes from 1 to 48 and annexure I and II form an integral part of these consolidated financial statements.

Chairman

President and
Chief Executive Officer

Director

Director

Chief Financial Officer

Consolidated Statement of Changes in Equity

For the year ended December 31, 2017

| | Attributable to shareholders of the Bank | | | | | | | | |
|--|--|-----------------------------|-------------------|----------------------|--------|--------------------------------|------------|--------------------------|------------|
| | Share capital | Discount on issue of shares | Preference shares | Reserves | | Unappropriated (loss) / profit | Sub-total | Non-controlling interest | Total |
| Statutory * | | | | Exchange translation | | | | | |
| ----- Rupees in '000 ----- | | | | | | | | | |
| Balance as at January 01, 2016 | 10,724,643 | (2,105,401) | 1,500,000 | 918,815 | - | 3,066,149 | 14,104,206 | 1,952,266 | 16,056,472 |
| Total comprehensive income for the year ended December 31, 2016 | | | | | | | | | |
| Profit after taxation | - | - | - | - | - | 2,328,959 | 2,328,959 | 129,675 | 2,458,634 |
| Other comprehensive loss | - | - | - | - | (17) | (37,044) | (37,061) | - | (37,061) |
| | - | - | - | - | (17) | 2,291,915 | 2,291,898 | 129,675 | 2,421,573 |
| Transaction with owners recorded directly in equity | | | | | | | | | |
| Buy-back of shares by subsidiary from NCI | - | - | - | - | - | - | - | (694,430) | (694,430) |
| Gain arising on buy back of shares by subsidiary | - | - | - | - | - | 95,872 | 95,872 | 46,880 | 142,752 |
| Preference dividend paid for the year ended December 31, 2015 @ 12% p.a. | - | - | - | - | - | (180,000) | (180,000) | - | (180,000) |
| Transfers | | | | | | | | | |
| Transfer to statutory reserve | - | - | - | 415,323 | - | (415,323) | - | - | - |
| Balance as at December 31, 2016 | 10,724,643 | (2,105,401) | 1,500,000 | 1,334,138 | (17) | 4,858,613 | 16,311,976 | 1,434,391 | 17,746,367 |
| Total comprehensive income for the year ended December 31, 2017 | | | | | | | | | |
| Profit after taxation | - | - | - | - | - | 1,026,839 | 1,026,839 | 40,047 | 1,066,886 |
| Other comprehensive income / (loss) net of tax | - | - | - | - | 12,236 | (55,602) | (43,366) | - | (43,366) |
| | - | - | - | - | 12,236 | 971,237 | 983,473 | 40,047 | 1,023,520 |
| Transfer from surplus on revaluation of operating fixed assets net of tax (note 7.8.2) | - | - | - | - | - | 7,923 | 7,923 | 2,981 | 10,904 |
| Transfer from surplus on revaluation of non-banking assets to unappropriated profit - net of tax | - | - | - | - | - | 214 | 214 | - | 214 |
| Transaction with owners recorded directly in equity | | | | | | | | | |
| Preference dividend paid for the year ended December 31, 2016 @ 12% p.a. | - | - | - | - | - | (180,000) | (180,000) | - | (180,000) |
| Dividend paid to non controlling interest for the year ended December 31, 2016 @ Rs.0.5 | - | - | - | - | - | - | - | (13,965) | (13,965) |
| Transfers | | | | | | | | | |
| Transfer to statutory reserve | - | - | - | 194,630 | - | (194,630) | - | - | - |
| Balance as at December 31, 2017 | 10,724,643 | (2,105,401) | 1,500,000 | 1,528,768 | 12,219 | 5,463,357 | 17,123,586 | 1,463,454 | 18,587,040 |

* This represents reserve created under Section 21(i)(a) of the Banking Companies Ordinance, 1962.

The annexed notes from 1 to 48 and annexure I and II form an integral part of these consolidated financial statements.

Chairman

President and
Chief Executive Officer

Director

Director

Chief Financial Officer

Consolidated Cash Flow Statement

For the year ended December 31, 2017

| 2017 -- US Dollars in '000 -- | 2016 | | Note | 2017 ----- Rupees in '000 ----- | 2016 |
|----------------------------------|-----------|--|------|------------------------------------|--------------|
| | | CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| 16,870 | 34,905 | Profit before taxation | | 1,862,677 | 3,854,122 |
| (2,280) | (1,644) | Less: Dividend income | | (251,733) | (181,522) |
| 14,590 | 33,261 | | | 1,610,944 | 3,672,600 |
| | | Adjustments: | | | |
| 5,828 | 4,992 | Depreciation | 13.2 | 643,503 | 551,223 |
| 12 | 10 | Depreciation on non-banking assets | 14.5 | 1,300 | 1,122 |
| 582 | 489 | Amortisation of intangible assets | 13.3 | 64,242 | 53,942 |
| 811 | 555 | Charge for defined benefit plan | 37.5 | 89,576 | 61,317 |
| 1,837 | (577) | Provision / (reversal) against non-performing advances - net | 12.4 | 202,814 | (63,687) |
| | | Unrealised gain / (loss) on revaluation of investments | | | |
| 36 | (162) | classified as held-for-trading | 11.4 | 3,958 | (17,854) |
| 768 | 3,078 | Provision for diminution in value of investments - net | 11.3 | 84,797 | 339,904 |
| 406 | 48 | Other provisions / write offs | 14.7 | 44,806 | 5,281 |
| 343 | 698 | Provision for Sindh Workers' Welfare Fund | 32 | 37,831 | 77,023 |
| | | Unrealised gain on revaluation | | | |
| (598) | (44) | of derivative instruments | 30 | (66,026) | (4,853) |
| 378 | - | Finance cost | | 41,698 | - |
| (690) | (386) | Gain on sale of operating fixed assets | 30 | (76,156) | (42,657) |
| 9,713 | 8,701 | | | 1,072,343 | 960,761 |
| 24,303 | 41,962 | | | 2,683,287 | 4,633,361 |
| | | (Increase) / decrease in operating assets | | | |
| 74,429 | (70,216) | Lendings to financial institutions | | 8,218,215 | (7,753,085) |
| 521,172 | (391,874) | Held-for-trading securities | | 57,546,369 | (43,269,625) |
| (820,085) | (154,595) | Advances | | (90,551,483) | (17,069,955) |
| (9,600) | 7,171 | Other assets (excluding advance taxation) | | (1,060,055) | 791,751 |
| (234,084) | (609,514) | | | (25,846,954) | (67,300,914) |
| | | Increase / (decrease) in operating liabilities | | | |
| 11,595 | 8,464 | Bills payable | | 1,280,250 | 934,603 |
| 489,765 | (401,243) | Borrowings | | 54,078,528 | (44,304,114) |
| 573,827 | 766,633 | Deposits and other accounts | | 63,360,359 | 84,649,480 |
| 18,102 | 27,170 | Sub-ordinated loans | | 1,998,800 | 3,000,000 |
| 14,877 | 30,437 | Other liabilities | | 1,642,627 | 3,360,738 |
| 1,108,166 | 431,461 | | | 122,360,564 | 47,640,707 |
| 874,082 | (178,053) | | | 96,513,610 | (19,660,207) |
| (1,071) | (580) | Gratuity Paid | 37.5 | (118,308) | (64,005) |
| (378) | - | Financial cost paid | | (41,698) | - |
| (6,355) | (10,215) | Income tax paid | | (701,666) | (1,127,882) |
| 890,581 | (146,886) | Net cash flows from / (used in) operating activities | | 98,335,225 | (16,218,733) |
| | | CASH FLOW FROM INVESTING ACTIVITIES | | | |
| (487,195) | 209,440 | Net investment in available-for-sale securities | | (53,794,682) | 23,125,798 |
| (374,928) | - | Net investment in held-to-maturity securities | | (41,398,485) | - |
| 2,208 | 1,623 | Dividend income received | | 243,790 | 179,157 |
| (10) | - | Capital repayment of finance lease obligations | | (1,143) | - |
| (12,364) | (17,388) | Investments in operating fixed assets | | (1,365,174) | (1,919,931) |
| 999 | 607 | Proceeds from sale of operating fixed assets | | 110,327 | 66,995 |
| (871,290) | 194,282 | Net cash flows (used in) / from investing activities | | (96,205,367) | 21,452,019 |
| | | CASH FLOW FROM FINANCING ACTIVITIES | | | |
| (1,630) | (1,630) | Dividend paid on preference shares | | (180,000) | (180,000) |
| (126) | - | Dividend paid to non controlling interest | | (13,965) | - |
| - | (4,996) | Shares bought back from non-controlling interest | | - | (551,678) |
| (1,756) | (6,626) | Net cash flows used in financing activities | | (193,965) | (731,678) |
| - | - | Effect of translation of net investment in foreign branches | | 12,236 | (17) |
| 17,535 | 40,770 | Increase in cash and cash equivalents | | 1,948,129 | 4,501,591 |
| 147,048 | 106,278 | Cash and cash equivalents at beginning of the year | | 16,236,482 | 11,734,891 |
| 164,583 | 147,048 | Cash and cash equivalents at end of the year | 35 | 18,184,611 | 16,236,482 |

The annexed notes from 1 to 48 and annexure I and II form an integral part of these consolidated financial statements.

Chairman

President and
Chief Executive Officer

Director

Director

Chief Financial Officer

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

1. STATUS AND NATURE OF BUSINESS

1.1 The "Group" consists of:

1.1.1 Holding Company

JS Bank Limited (the Bank/JSBL), incorporated in Pakistan, is a scheduled bank, engaged in commercial banking and related services. The Bank's ordinary shares are listed on Pakistan Stock Exchange Limited (PSX). The Bank is a subsidiary of Jahangir Siddiqui & Co. Ltd. (JSCL). The registered office of the Bank is situated at Shaheen Commercial Complex, Dr. Ziauddin Ahmed Road, Karachi.

The Bank operates with 322 (December 31, 2016: 306) branches / sub-branches in Pakistan and one wholesale banking branch in Bahrain (December 31, 2016: one). The Pakistan Credit Rating Agency Limited (PACRA) has assigned the long-term entity rating of the Bank to 'AA' (Double A Minus) whereas short-term rating is maintained at 'A1+' (A One Plus), which is the highest possible short-term rating. The ratings denote a very low expectation of credit risk and indicate very strong capacity for timely payment of financial commitments.

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

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

The ultimate parent of the Group is Jahangir Siddiqui & Co. Ltd. which holds 70.42% shares of the Bank.

1.1.3 Composition of the group

The group has three subsidiaries having composition as follows:

| Name of Subsidiary | 2017 | | 2016 | |
|-------------------------------|-----------|--------|-----------|--------|
| | The Group | NCI | The Group | NCI |
| JS Global Capital Limited | 67.16% | 32.84% | 67.16% | 32.84% |
| JS Investment Limited | 65.16% | 34.84% | 65.16% | 34.84% |
| JS ABAMCO Commodities Limited | 65.16% | 34.84% | 65.16% | 34.84% |

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

1.1.4 Subsidiary Companies

JS Global Capital Limited (JSGCL)

JS Global Capital Limited, JSGCL, is principally owned by the Bank, holding 67.16% of its equity interest. The Bank acquired effective controlling interest in JSGCL on December 21, 2011 and April 15, 2016 of 51.05% and 16.11% respectively. The ownership interest has increased by 16.11%, without any change in the cost of investment, due to the fact that JSGCL has bought back its 11,993,000 ordinary shares out of its 50 million ordinary shares in 2016. JSGCL is a public listed company incorporated in Pakistan under the repealed Companies Ordinance, 1984. The shares of the JSGCL are listed on Pakistan Stock Exchange (PSX). Further, the JSGCL is a corporate member of PSX and member of Pakistan Mercantile Exchange. The principal business of the JSGCL is to carry out share brokerage, money market, forex and commodity brokerage, advisory and consultancy services. Other activities include investment in a mix of listed and unlisted equity and debt securities and reverse repurchase transactions. The registered office of the JSGCL is situated at 6th floor, Faysal House, Shahra-e-Faisal, Karachi, Pakistan.

JS Investments Limited (JSIL)

JS Investments Limited, JSIL, is principally owned by the Bank, holding 65.16% of its equity interest. The Bank acquired effective controlling interest in JSIL on November 01, 2012 and December 22, 2015 of 52.24% and 12.92% respectively. The ownership interest has increased by 12.92%, without any change in the cost of investment, due to the fact that JSIL has bought back its 19,828,182 ordinary shares out of its 100 million ordinary shares in 2016. JSIL is a public listed company incorporated in Pakistan on February 22, 1995 under the repealed Companies Ordinance, 1984. The shares of the JSIL are listed on the Pakistan Stock Exchange (PSX), formerly since April 24, 2007. The registered office of the JSIL is situated at 7th Floor, The Forum, Khayaban-e-Jami, Clifton, Karachi.

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

JSIL is an asset management company of the following funds:

Open end funds:

- JS Growth Fund
- JS Value Fund
- Unit Trust of Pakistan
- JS Income Fund
- JS Islamic Fund
- JS Fund of Funds
- JS Islamic Income Fund
- JS Cash Fund
- JS Large Cap Fund
- JS Capital Protected Fund V
- JS Islamic Hybrid Fund of Funds
- JS Islamic Hybrid Fund of Funds -2

Pension fund

- JS Pension Savings Fund
- JS Islamic Pension Savings Fund

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

JS ABAMCO Commodities Limited

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

2. BASIS OF CONSOLIDATION

- The consolidated financial statements include the financial statements of the Bank (The Holding Company) and its subsidiary companies together - "the Group".
- Subsidiary companies are fully consolidated from the date on which more than 50% of voting rights are transferred to the Group or power to control the company is established and excluded from consolidation from the date of disposal or when the control is lost.
- The financial statements of the subsidiary companies are prepared for the same reporting year as the holding company for the purpose of consolidation, using consistent accounting policies.
- The assets, liabilities, income and expenses of subsidiary companies have been consolidated on a line by line basis.
- Non-controlling interest in equity of the subsidiary companies is measured at proportionate share of net assets of the acquiree as of the acquisition date.
- Material intra-group balances and transactions have been eliminated.

3. BASIS OF PRESENTATION

- 3.1 These unconsolidated financial statements have been prepared on the format prescribed by SBP vide BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial statements' effective from the accounting year ended December 31, 2006. The SBP vide BPRD circular no. 2 dated January 25, 2018 has specified the new reporting format for the financial statements of banking companies. The new format has revised the disclosure requirements and will become applicable for the financial statements of the Bank for the year ending December 31, 2018.
- 3.2 The US Dollar amounts shown on the statement of financial position, profit and loss account, statement of comprehensive income and cash flow statement are stated as additional information solely for the convenience of readers and have not been subject to audit by the external auditors. For the purpose of conversion to US Dollars, the rate of Rs.110.4172 to 1 US Dollar has been used for 2017 and 2016 as it was the prevalent rate as on December 31, 2017.

4. BASIS OF MEASUREMENT

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

5. STATEMENT OF COMPLIANCE

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

5.2 Effective May 30, 2017, the Companies Act, 2017 (the Act) has been promulgated, however, the Securities and Exchange Commission of Pakistan (SECP) vide its circular No. 23 of 2017 dated October 04, 2017 decided that the companies whose financial year closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.

Currently, the Holding Company is assessing the impact of the requirements of the Companies Act, 2017, on the financial statements for the future periods in terms of accounting as well as disclosure requirements.

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

5.4 IFRS 8, 'Operating Segments' is effective for the Bank's accounting period beginning on or after January 01, 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. The management of the Bank believes that as the SBP has defined the segment categorization in the above mentioned circular, the SBP's requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these financial statements is based on the requirements laid down by the SBP.

5.5 IFRS10 "Consolidated Financial Statements" was made applicable from period beginning on or after January 01, 2015 vide S.R.O 633(I)/2014 dated July 10, 2014 by SECP. However, SECP has directed that the requirements of consolidation under section 237 of the repealed Companies Ordinance 1984 and IFRS-10 "Consolidated Financial Statements" are not applicable in case of investment by companies in mutual funds established under trust structure, through S.R.O 56(I) /2016 dated January 28, 2016. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements.

5.6 The Group has adopted the following accounting standards, amendments and interpretations of IFRSs which became effective for the current year.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

Standard or Interpretation

IAS 7 Statement of Cash Flows - Disclosure Initiative - (Amendment)

IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)

Improvements to Accounting Standards Issued by the IASB

IFRS 12 Disclosure of Interests in Other Entities -
Clarification of the scope of the disclosure requirements in IFRS 12

The adoption of the above amendments, improvements to accounting standards and interpretations did not have any effect on the financial statements.

5.6.1 The Group has changed its accounting policy for fixed assets as referred in note 7.8.2.

5.6.2 New accounting standards / amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

| Standard or Interpretation | Effective date (annual periods beginning on or after) |
|--|---|
| IFRS 2 – Share-based Payments – Classification and Measurement of Share-based Payments Transactions – (Amendments) | January 01, 2018 |
| IFRS 10 – Consolidated Financial Statements and IAS 28 – Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – (Amendment) | Not yet finalized |
| IFRS 15 – Revenue from Contracts with Customers | July 01, 2018 |
| IFRIC Interpretation 22 – Foreign Currency Transactions and Advance Consideration | January 01, 2018 |
| IFRIC 23 – Uncertainty over Income Tax Treatments | January 01, 2019 |

The above standards, amendments and interpretations are not expected to have any material impact on the Group's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016. Such improvements are generally effective for accounting periods beginning on or after January 01, 2018 and January 01, 2019. The Bank expects that such improvements to the standards will not have any impact on the Bank's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

| Standard | IASB Effective date (annual periods beginning on or after) |
|--|--|
| IFRS 14 – Regulatory Deferral Accounts | January 01, 2016 |
| IFRS 16 – Leases | January 01, 2019 |
| IFRS 17 – Insurance Contracts | January 01, 2021 |

6. CRITICAL ACCOUNTING ESTIMATES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

i) Classification of investments

- In classifying investments as 'held-for-trading' the Group has determined securities which are acquired with an intention to trade by taking advantage of short-term market / interest rate movements and are to be sold within 90 days of acquisition.
- In classifying investments as 'held-to-maturity' the Group follows the guidance provided in SBP circulars on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Bank evaluates its intention and ability to hold such investments to maturity.
- The investments which are not classified as 'held-for-trading' or 'held-to-maturity' are classified as 'available-for-sale'.

ii) Provision against non performing loans and advances

The Group reviews its loan portfolio to assess amount of non-performing loans and advances and provision required there-against. While assessing this requirement various factors including the delinquency in the account, financial position of the borrowers, the value of securities and the requirement of the Prudential Regulations are considered.

iii) Impairment on investments

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

iv) Income taxes

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

v) Fair value of derivatives

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

vi) Depreciation and amortisation of operating fixed assets

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

vii) Impairment of Goodwill

Impairment testing involves a number of judgmental areas which are subject to inherent significant uncertainty, including the preparation of cash flow forecasts for periods that are beyond the normal requirements of management reporting and the assessment of the discount rate appropriate to the business. The carrying amount of goodwill at the balance sheet date was Rs.1,464 million. The detailed assumptions underlying impairment testing of goodwill are given in note 13.3.4 to these consolidated financial statements.

viii) Defined benefits plans and other benefits

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

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

7.1 Basis of Consolidation

Subsidiary

Subsidiary is an entity controlled by the Group. Control exists when the Group has power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiary is included in the consolidated financial statements from the date that control commences until the date that control ceases.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

Acquisition of business not under common control

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

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

Goodwill on acquisition after July 01, 2009 is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill acquired in a business combination before July 01, 2009 is initially measured at cost, being the excess of the cost of business combination over the Bank's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired.

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

Acquisition of business under common control

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

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

7.2 Cash and cash equivalents

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

7.3 Lendings to / borrowings from financial institutions

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

a) Sale under repurchase obligation

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

b) Other lendings

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

c) Purchase under resale obligation

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

d) Other borrowings

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

7.4 Investments

7.4.1 Initial recognition and measurement

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

(a) Held-for-trading

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

(b) Held-to-maturity

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

(c) Available-for-sale

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

(d) Associates

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

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

(e) Regular way contracts

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

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

7.4.2 Subsequent measurement

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

Further, in accordance with the requirements of the SBP, gain or loss on revaluation of the Group's held-for-trading investments is taken to the profit and loss account. In case of investments classified as available-for-sale, surplus or deficit is taken directly to equity. The surplus or deficit arising on these securities is taken to the profit and loss account when actually realised upon disposal.

Unquoted equity securities, excluding investment in subsidiaries and associates are valued at lower of cost and the break-up value in accordance with the requirements of the Prudential Regulations issued by the SBP. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements.

7.4.3 Impairment / diminution in the value of securities

Impairment loss in respect of quoted equity securities classified as available for sale, associates, subsidiaries and held to maturity is recognised based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. Objective evidence that the cost may not be recovered, in addition to qualitative impairment criteria, includes a significant or prolonged decline in the fair value below average cost. A decline to be considered as:

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

- Significant if the fair value is below the weighted average cost by more than 30 percent.
- Prolonged if the fair value is below the weighted average cost for a period of more than one year.

(a) Available-for-sale

If an available-for-sale of equity security is impaired, the cumulative loss that had been recognised in equity, shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised, any further declines in the fair value at subsequent reporting dates are recognised as impairments. Therefore, at each reporting period, for an equity security that was determined to be impaired, additional impairments are recognised for the difference between the fair value and the original cost basis, less any previously recognised impairment.

If, in subsequent period, impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale shall not be reversed through profit or loss except in case of derecognition.

(b) Held to maturity, Subsidiaries and Associates

Impairment losses are incurred if, and only if, there is objective evidence of impairment after initial recognition of the investment. The impairment loss is recognised in the profit and loss account. If, in a subsequent period, any indication that an impairment loss recognised in prior periods no longer exist or may have decreased, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

(c) Debt Securities

PTCs, TFCs, Sukuk and other debt securities will be classified on the valuation date on the basis of default in their repayment in line with the criteria prescribed for classification of medium and long-term facilities in accordance with the requirements of the Prudential Regulations issued by the SBP.

7.5 Financial instruments

7.5.1 Financial assets and financial liabilities

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

7.5.2 Derivative financial instruments

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

7.6 Off-setting of financial assets and financial liabilities

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

7.7 Advances (including net investment in finance lease)

Loan and advances

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

Finance lease receivables

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

7.8 Operating fixed assets and depreciation

7.8.1 Property and equipment

Operating fixed assets except office premises are shown at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Office premises (which includes leasehold land and buildings) are stated at revalued amount less accumulated depreciation.

Depreciation is calculated and charged to profit and loss account using the straight-line method so as to write down the cost of the assets to their residual values over their estimated useful lives at the rates given in note 13.2. A full month's depreciation is charged from the month in which assets are brought into use and no depreciation is charged for the month in which the disposal is made. The residual values, useful lives and depreciation methods are reviewed and changes, if any, are treated as change in accounting estimates, annually.

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

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

7.8.2 Surplus / deficit on revaluation of operating fixed assets

During the year, the Group changed its accounting policy from cost model to revaluation model in respect of leasehold land and building. With effect from the current year, these are carried at revalued amounts, being fair value at the date of revaluation less accumulated depreciation and accumulated impairment losses.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

The Group has carried out the revaluation exercise by independent valuers, which has resulted in surplus on land and buildings of Rs.124.654 million and Rs.919.193 million over their existing written down values of Rs.964.306 million and Rs.868.058 million, respectively.

The fair values were determined with reference to market based evidence, based on active market prices and relevant enquiries and information as considered necessary, and adjusted for any difference in nature, location or condition of the specific properties. Management takes the view that this policy provides reliable and more relevant information because it deals more accurately with the components of property and is based on up-to-date values.

Had there been no revaluation, the carrying value of leasehold land and building would have been lower by Rs.124.654 million and Rs.798.216 million respectively, and net surplus on revaluation of fixed assets, deferred tax liability and incremental depreciation would have been lower by Rs.656.597 million, Rs.266.273 million and Rs.15.836 million respectively.

The surplus arising on revaluation of operating assets is credited to the "Surplus on Revaluation of Fixed Assets Account" shown below equity in the statement of financial position in accordance with the requirements of section 235 of the repealed Companies Ordinance, 1984. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit and loss account.

The deficit as a result of a revaluation is recognised in profit and loss account. However, the decrease to be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The said section was amended through the Companies (Amendment) Ordinance, 2002 and, accordingly, the Group has adopted the following accounting treatment of depreciation on revalued assets, keeping in view the Securities and Exchange Commission of Pakistan's (SECP) SRO 45(1)/2003 dated January 13, 2003:

Depreciation on buildings which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account; and an amount equal to incremental depreciation for the year net of deferred taxation is transferred from "Surplus on Revaluation of Fixed Assets Account" to unappropriated profit through Statement of Changes in Equity to record realization of surplus to the extent of the incremental depreciation charge for the year.

Intangible assets

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

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

Capital work-in-process

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

Notes to the Consolidated Financial Statements

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Assets subject to finance leases

Assets held under finance leases are initially recorded at the lower of the present value of minimum lease payments under the lease agreements and the fair value of the leased assets. The related obligations under the lease, net of financial charges allocated to future periods, are shown as a liability.

The financial charges are allocated to accounting periods in a manner so as to provide a period rate of interest on the outstanding liability.

7.9 Non-banking assets acquired in satisfaction of claims

7.9.1 Non-banking assets acquired in satisfaction of claims under Debt Property Swap (DPS) transactions, against the loans in category of loss, are carried at the revalued amounts, being the fair value at the date of revaluation less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

All direct cost including legal fees, valuation and transfer costs of acquiring title to property shall be expensed when incurred through profit and loss account.

Subsequent costs are included in the asset's carrying amounts only when it is probable that future benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other subsequent costs including repair and maintenance are charged to the profit and loss account as and when incurred.

7.9.2 Surplus / deficit on revaluation of non banking assets

7.9.2.1 The surplus arising on revaluation of non-banking assets is credited to the "Surplus on Revaluation of Fixed Assets Account" shown below equity in the statement of financial position in accordance with the requirements of section 235 of the repealed Companies Ordinance 1984. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit and loss account.

The deficit as a result of a revaluation is recognised in profit and loss account. However, the decrease to be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Furthermore, revaluation surplus on such assets shall not be admissible for calculating Bank's Capital Adequacy Ratio (CAR) and exposure limits under the Prudential Regulations. However, the surplus can be adjusted upon realization of sale proceeds.

7.9.2.2 The Group has adopted the following accounting treatment for depreciation on revalued assets, keeping in view the requirements of the repealed Companies Ordinance, 1984 and SECP's SRO 45(1)/2003 dated January 13, 2003.

Depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account; and

An amount equal to incremental depreciation for the year net of deferred taxation is transferred from "Surplus on Revaluation of Fixed Assets account" to unappropriated profit through statement of changes in equity to record realization of surplus to the extent of the incremental depreciation charge for the year.

Gains or losses on disposal of assets are included in the profit and loss account currently, except that the related surplus on revaluation of fixed assets (net of deferred tax) is transferred directly to equity.

Notes to the Consolidated Financial Statements

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7.10 Impairment

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

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

7.11 Taxation

Current

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

Deferred

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

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

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

7.12 Provisions

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

7.13 Staff retirement benefits

Defined contribution plan - the Group

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

| | |
|--|------|
| - The Bank (Holding Company) | 7.1% |
| - JS Global Capital Limited (Subsidiary) | 10% |
| - JS Investment Limited (Subsidiary) | 8% |

Defined benefit plan as revised (Holding Company)

The Bank operates an approved funded gratuity scheme covering all its eligible employees who have completed minimum qualifying period. An actuarial valuation of defined benefit scheme is conducted at the end of every year or on occurrence of any significant change. The most recent valuation in this regard was carried out as at December 31, 2017, using the projected unit credit actuarial valuation method. Under this method cost of providing for gratuity is charged to profit and loss account so as to spread the cost over the service lives of the employees in accordance with the actuarial valuation. Past-service costs are recognised immediately in profit and loss account and actuarial gains and losses are recognised immediately in other comprehensive income.

7.14 Revenue recognition

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

- Mark-up / return / interest income on loans and advances, investments and continuous funding system transactions is recognised on accrual basis using effective interest method. Mark-up / return / interest income on non-performing loans and advances and investments is recognised on receipt basis.
- "Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease.
- Gains / losses on termination of lease contracts, documentation charges, front-end fees and other lease income are recognized as income on receipt basis.
- Commission is generally recognised as income at the time of affecting the transaction to which it relates, except on guarantees on which the commission is recognised as income over the period of the guarantee. Fees are recognised when earned.
- Dividend income is recognised when the right to receive the dividend is established.
- Remuneration for management services and asset investment advisory services are recognized when services are rendered.
- Commission income from open end funds is recognised at the time of sale of units

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

- Commission income and share of profit from management of discretionary client portfolios is recognised when services are rendered.
- Brokerage, consultancy and advisory fee, commission on foreign exchange dealings and government securities etc. are recognised as and when such services are provided.
- Gains and losses arising on revaluation of derivatives to fair value are taken to profit and loss account.
- Late payment surcharge on overdue balance of trade debts is recognised on receipt basis.

7.15 Dividend and appropriation to reserves

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

7.16 Foreign currencies

Functional and presentation currency

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

Foreign currency transactions

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

Translation gains and losses

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

Commitments

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

7.17 Goodwill

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

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

7.18 Segment reporting

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

7.18.1 Business segments:

Corporate finance

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

Trading and sales

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

Retail banking

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

Commercial banking

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

Payment and settlement

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

Brokerage

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

Asset management

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

7.18.2 Geographical segment

The Group has 322 (2016: 306) branches / sub-branches in Pakistan region and one whole sale banking branch in Bahrain (2016: 01)

7.19 Fiduciary assets

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

7.20 Operating leases / ijarah

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

7.21 Borrowings / deposits and their cost

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

7.22 Earnings per share

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

| | Note | 2017 ----- Rupees in '000 ----- | 2016 ----- |
|---|------|------------------------------------|-------------------|
| 8. CASH AND BALANCES WITH TREASURY BANKS | | | |
| In hand | | | |
| Local currency | | 4,067,572 | 2,877,976 |
| Foreign currencies | | 659,116 | 625,326 |
| | | 4,726,688 | 3,503,302 |
| With State Bank of Pakistan in: | | | |
| Local currency current account | 8.1 | 8,594,102 | 8,536,187 |
| Foreign currency current account - non remunerative | 8.2 | 615,576 | 449,774 |
| Foreign currency deposit account - remunerative | 8.3 | 1,890,381 | 1,385,332 |
| | | 11,100,059 | 10,371,293 |
| With National Bank of Pakistan in: | | | |
| Local currency current accounts | | 1,506,393 | 1,628,057 |
| National Prize Bonds | | | |
| | | 971 | 6,611 |
| | | 17,334,111 | 15,509,263 |

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

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

8.3 This represents deposit accounts maintained with SBP under the requirements of BSD Circular No. 14 dated June 21, 2008 and mandatory reserve maintained to facilitate collection and settlement of foreign currency accounts under FE-25, as prescribed by the SBP. Profit rates on this deposit account are fixed on a monthly basis by the SBP. It carries profit of 0% (2016: 0%) per annum.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

| | | 2017 | 2016 |
|-----------|----------------------------------|----------------------------|---------|
| | | ----- Rupees in '000 ----- | |
| 9. | BALANCES WITH OTHER BANKS | | |
| | In Pakistan | | |
| | On current accounts | 68,304 | 220,595 |
| | On deposit accounts | 12,181 | 10,771 |
| | | 80,485 | 231,366 |
| | Outside Pakistan | | |
| | On current accounts | 780,092 | 295,022 |
| | On deposit accounts | 188,919 | 241,359 |
| | | 969,011 | 536,381 |
| | | 1,049,496 | 767,747 |

9.1 These carry mark-up at the rate of 0% to 6.25% (2016: 0% to 6.5%) per annum.

9.2 This represents deposit accounts / term placements outside Pakistan, carrying mark-up rate ranging between 0% to 1% p.a (2016: 0%).

| | | 2017 | 2016 |
|-------------|--|----------------------------|------------|
| | | ----- Rupees in '000 ----- | |
| 10. | LENDINGS TO FINANCIAL INSTITUTIONS | | |
| | Call money lendings | 3,003,443 | 2,634,489 |
| | Due against bills re-discounting | 112,756 | - |
| | Repurchase agreement lendings (Reverse Repo) | - | 8,699,925 |
| | | 3,116,199 | 11,334,414 |
| 10.1 | Particulars of lendings | | |
| | In local currency | - | 10,549,925 |
| | In foreign currency | 3,116,199 | 784,489 |
| | | 3,116,199 | 11,334,414 |

10.2 These represent unsecured call money lendings to financial institutions carrying interest at the rates ranging from 1.38% to 6.93% (2016: 0.17% to 6.00%) per annum. These will mature between January 02, 2018 and June 07, 2018 (January 03, 2017 and April 19, 2017).

10.3 This represents the obligation of the foreign corresponding banks on the discounting of foreign documentary bills purchased by the Bank on discount. These will mature between January 02, 2018 and June 18, 2018 (2016: Nil) and carry interest at the rates ranging from 3.75% to 4.29% per annum.

10.4 These are secured short-term lendings to various financial institutions, carrying mark-up rate Nil (2016: 5.8% to 6.1%) per annum. These are collateralized by Market Treasury Bills and Pakistan Investment Bonds as shown in note 10.5 below.

10.5 Securities held as collateral against repurchase agreement lendings to financial institutions

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

| | 2017 | | | 2016 | | |
|----------------------------|---------------|-----------------------------|-------|---------------|-----------------------------|-----------|
| | Held by Group | Further given as collateral | Total | Held by Group | Further given as collateral | Total |
| ----- Rupees in '000 ----- | | | | | | |
| Market Treasury Bills | - | - | - | 5,969,925 | - | 5,969,925 |
| Pakistan Investment Bonds | - | - | - | 2,730,000 | - | 2,730,000 |
| | - | - | - | 8,699,925 | - | 8,699,925 |

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

10.5.1 The market value of securities held as collateral against lendings to financial institutions amounted to Rs.Nil (2016: Rs.8,811.414 million).

11. INVESTMENTS - net

| | 2017 | | | 2016 | | |
|--|----------------------------|---------------------|--------------------|--------------------|---------------------|--------------------|
| | Held by Group | Given as collateral | Total | Held by Group | Given as collateral | Total |
| 11.1 Investments by type | ----- Rupees in '000 ----- | | | | | |
| Held-for-trading securities | | | | | | |
| Market treasury bills | 6,835,735 | 926,032 | 7,761,767 | 64,346,568 | 1,413,214 | 65,759,782 |
| Pakistan investment bonds | 709,872 | - | 709,872 | - | - | - |
| Ordinary shares of listed companies | 326,570 | - | 326,570 | 732,684 | - | 732,684 |
| Term finance certificates - listed | 14,263 | - | 14,263 | 21,023 | - | 21,023 |
| Sukuk certificates - listed | 55,512 | - | 55,512 | 12,116 | - | 12,116 |
| Open end mutual funds | 423,465 | - | 423,465 | 294,359 | - | 294,359 |
| | 8,365,417 | 926,032 | 9,291,449 | 65,406,750 | 1,413,214 | 66,819,964 |
| Available-for-sale securities | | | | | | |
| Market treasury bills | 11,501,193 | 2,991,504 | 14,492,697 | 4,885,943 | - | 4,885,943 |
| Pakistan investment bonds | 54,600,373 | 39,372,049 | 93,972,422 | 49,784,339 | - | 49,784,339 |
| Ordinary shares of listed companies | 3,704,524 | - | 3,704,524 | 2,626,343 | - | 2,626,343 |
| Ordinary shares of unlisted companies | 13,406 | - | 13,406 | 568,464 | - | 568,464 |
| Preference shares of listed company | 136,589 | - | 136,589 | 136,589 | - | 136,589 |
| Term finance certificates - listed | 182,322 | - | 182,322 | 182,322 | - | 182,322 |
| Term finance certificates - unlisted | 902,052 | - | 902,052 | 1,238,325 | - | 1,238,325 |
| Sukuk certificates - unlisted | 1,631,000 | - | 1,631,000 | 360,000 | - | 360,000 |
| Open end mutual funds | 1,378,107 | - | 1,378,107 | 1,465,829 | - | 1,465,829 |
| Foreign currency bonds | 1,899,702 | 2,431,932 | 4,331,634 | 5,701,917 | - | 5,701,917 |
| | 75,949,268 | 44,795,485 | 120,744,753 | 66,950,071 | - | 66,950,071 |
| Held-to-maturity securities | | | | | | |
| Pakistan investment bonds | 41,398,485 | - | 41,398,485 | - | - | - |
| Total investments at cost | 125,713,170 | 45,721,517 | 171,434,687 | 132,356,821 | 1,413,214 | 133,770,035 |
| Less: Provision for diminution in value of investments | (1,504,819) | - | (1,504,819) | (1,420,022) | - | (1,420,022) |
| Investments (net of provision) | 124,208,351 | 45,721,517 | 169,929,868 | 130,936,799 | 1,413,214 | 132,350,013 |
| Unrealised (loss) / gain on revaluation of investments classified as held-for-trading securities | (3,944) | (14) | (3,958) | 17,890 | (36) | 17,854 |
| Surplus / (deficit) on revaluation of available-for-sale securities - net | 558,408 | (195,483) | 362,925 | 2,671,034 | - | 2,671,034 |
| Total investments at market value | 124,762,815 | 45,526,020 | 170,288,835 | 133,625,723 | 1,413,178 | 135,038,901 |

11.1.1 This includes surplus on revaluation of available for sale investments of subsidiaries amounting to Rs.80.378 million (2016: Rs.80.378 million) which represents the pre-acquisition surplus and has been included here only for meeting with requirement of the prescribed format of Banks / DFIs issued by the State Bank of Pakistan.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

| | Note | 2017 ----- Rupees in '000 ----- | 2016 |
|--|---------|------------------------------------|-------------|
| 11.2 Investments by segments | | | |
| Federal government securities | | | |
| Market treasury bills | 11.2.1 | 22,254,464 | 70,645,725 |
| Pakistan investment bonds | 11.2.1 | 136,080,779 | 49,784,339 |
| | | 158,335,243 | 120,430,064 |
| Fully paid ordinary shares | | | |
| Listed companies | 11.2.2 | 4,031,094 | 3,359,027 |
| Unlisted companies | 11.2.3 | 13,406 | 568,464 |
| | | 4,044,500 | 3,927,491 |
| Fully paid preference shares | | | |
| Listed companies | 11.2.4 | 136,589 | 136,589 |
| Term finance and sukuk certificates | | | |
| Term finance certificates – listed | 11.2.5 | 196,585 | 203,345 |
| Term finance certificates – unlisted | 11.2.6 | 902,052 | 1,238,325 |
| Sukuk certificates - listed | 11.2.7 | 55,512 | 12,116 |
| Sukuk certificates - unlisted | 11.2.8 | 1,631,000 | 360,000 |
| | | 2,785,149 | 1,813,786 |
| Mutual funds | | | |
| Open end mutual funds | 11.2.9 | 1,801,572 | 1,760,188 |
| Others | | | |
| Foreign currency bonds | 11.2.10 | 4,331,634 | 5,701,917 |
| Total investments at cost | | 171,434,687 | 133,770,035 |
| Less: Provision for diminution in value of investments | 11.3 | (1,504,819) | (1,420,022) |
| Investments (net of provisions) | | 169,929,868 | 132,350,013 |
| Unrealised (loss) / gain on revaluation of held-for-trading securities | 11.4 | (3,958) | 17,854 |
| Surplus on revaluation of available-for-sale securities | 11.1.1 | 362,925 | 2,671,034 |
| Total investments at market value | | 170,288,835 | 135,038,901 |

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

11.2.1 Details of investment in Federal Government Securities

| | Market value | | | | | |
|--------------------------------------|----------------------------|---------------------|--------------------|--------------------|---------------------|--------------------|
| | 2017 | | | 2016 | | |
| | Held by Group | Given as collateral | Total | Held by Group | Given as collateral | Total |
| | ----- Rupees in '000 ----- | | | | | |
| Held-for-trading securities | | | | | | |
| Market treasury bills | 6,835,535 | 926,018 | 7,761,553 | 64,345,307 | 1,413,178 | 65,758,485 |
| Pakistan investment bonds | 707,598 | - | 707,598 | - | - | - |
| | 7,543,133 | 926,018 | 8,469,151 | 64,345,307 | 1,413,178 | 65,758,485 |
| Available-for-sale securities | | | | | | |
| Market treasury bills | 11,501,067 | 2,991,645 | 14,492,712 | 4,884,060 | - | 4,884,060 |
| Pakistan investment bonds | 54,278,753 | 39,151,006 | 93,429,759 | 49,834,951 | - | 49,834,951 |
| | 65,779,820 | 42,142,651 | 107,922,471 | 54,719,011 | - | 54,719,011 |
| Held-to-maturity securities | | | | | | |
| Pakistan investment bonds * | 41,033,889 | - | 41,033,889 | - | - | - |
| | 114,356,842 | 43,068,669 | 157,425,511 | 119,064,318 | 1,413,178 | 120,477,496 |

* These are carried at amortised cost in these consolidated financial statements

11.2.1.1 Principal terms of investment in Federal Government Securities

| Name of investment | Maturity | Redemption period | Coupon |
|---------------------------|-------------------------------------|-------------------|-------------|
| Market treasury bills | January 04, 2018 to August 30, 2018 | On maturity | On maturity |
| Pakistan investment bonds | March 26, 2018 to December 29, 2026 | On maturity | Half yearly |

11.2.1.2 Market Treasury Bills are for the periods of three months, six months and one year. The effective rates of profit on Market Treasury Bills range from 5.91% to 6.10% per annum (2016: 5.85% to 6.23% per annum) with maturities between January 04, 2018 and August 30, 2018 (2016: January 05, 2017 and November 23, 2017).

11.2.1.3 Pakistan Investment Bonds (PIBs) are for the periods of three, five, seven, ten and fifteen years. The rates of profit ranging from 6.02% to 10.42% per annum (2016: 6.08% to 10.42% per annum) with maturities between March 26, 2018 and December 29, 2026 (2016: July 17, 2017 to April 21, 2026).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

11.2.2 Details of investment in ordinary shares of listed companies

| Name of the company | Number of shares of | | Rating | | Cost | | Market value | |
|---|---------------------|------------|---------|---------|----------------------------|-----------|--------------|-----------|
| | Rs.10 each | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | ----- Numbers ----- | | | | ----- Rupees in '000 ----- | | ----- | |
| Held-for-trading securities | | | | | | | | |
| Attock Refinery Limited | 56,500 | 78,000 | AA | AA | 13,062 | 32,294 | 13,228 | 33,173 |
| Engro Fertilizer Limited | 163,000 | 523,000 | AA- | AA- | 10,747 | 34,673 | 11,038 | 35,554 |
| D.G. Khan Cement Limited | 118,000 | 380,000 | Unrated | Unrated | 14,917 | 81,713 | 15,779 | 84,257 |
| Engro Corporation Limited | 129,000 | 342,000 | AA | AA | 35,777 | 107,533 | 35,443 | 108,103 |
| Fauji Fertilizer Company Limited | 353,500 | 304,500 | AA | AA | 27,415 | 31,915 | 27,965 | 31,781 |
| Fauji Cement Company Limited | 165,500 | 258,000 | Unrated | Unrated | 4,132 | 11,507 | 4,139 | 11,631 |
| International Steels Limited | 1,000 | - | A+ | - | 100 | - | 106 | - |
| Maple Leaf Cement Factory Limited | 27,000 | - | A+ | - | 1,915 | - | 1,848 | - |
| National Bank of Pakistan Limited | 21,500 | 176,500 | AAA | AAA | 1,045 | 13,203 | 1,044 | 13,218 |
| Oil & Gas Development Company Limited | 239,500 | 291,500 | AAA | AAA | 39,069 | 47,924 | 38,988 | 48,200 |
| Pakistan State Oil Limited | 263,500 | 132,500 | AA | AA | 78,352 | 56,626 | 77,234 | 57,533 |
| Pak Elektron Limited | 1,736,000 | 1,938,000 | A+ | A+ | 87,437 | 133,082 | 82,443 | 138,141 |
| United Bank Limited | 70,000 | - | AAA | - | 12,602 | - | 13,158 | - |
| Engro Foods Limited | - | 14,500 | - | Unrated | - | 2,578 | - | 2,783 |
| Ghani Global Glass Limited | - | 94,012 | - | Unrated | - | 940 | - | 2,204 |
| Hascol Petroleum Limited | - | 126,500 | - | A+ | - | 41,246 | - | 42,696 |
| MCB Bank Limited | - | 82,000 | - | AAA | - | 19,391 | - | 19,501 |
| Nishat Mills Limited | - | 73,000 | - | AA | - | 11,033 | - | 11,116 |
| Nishat Chunian Limited | - | 300,000 | - | Unrated | - | 18,723 | - | 18,729 |
| Pakistan Oilfields Limited | - | 57,000 | - | Unrated | - | 30,414 | - | 30,473 |
| Pakistan Petroleum Limited | - | 7,000 | - | Unrated | - | 1,324 | - | 1,317 |
| The Bank of Punjab | - | 2,224,000 | - | AA | - | 39,382 | - | 39,254 |
| TPL Trakker Limited | - | 940,000 | - | A- | - | 17,183 | - | 16,572 |
| | | | | | 326,570 | 732,684 | 322,413 | 746,236 |
| Available-for-sale securities | | | | | | | | |
| National Foods Limited | 265,900 | 68,800 | AA- | AA- | 95,885 | 24,990 | 86,194 | 25,800 |
| Amreli Steels Limited | 761,200 | 3,000,000 | A | A | 71,244 | 214,269 | 70,533 | 199,770 |
| Fauji Fertilizer Company Limited | 2,510,100 | - | AA | - | 246,261 | - | 198,574 | - |
| D. G. Khan Cement Limited (note 11.2.2.1) | 1,759,500 | - | Unrated | - | 424,293 | - | 235,280 | - |
| Shifa International Hospitals | 118,700 | - | Unrated | - | 35,720 | - | 35,610 | - |
| Pakistan State Oil Limited | 1,125,360 | - | AA | - | 433,401 | - | 329,854 | - |
| Power Cement Limited (note 11.2.2.1) | 33,602,500 | - | A- | - | 611,078 | - | 293,686 | - |
| Pakistan Stock Exchange Limited (PSXL) (note 11.2.2.2) | 2,202,953 | - | Unrated | - | 23,061 | - | 49,346 | - |
| IGI Insurance Limited | - | 2,407,100 | - | AA | - | 572,524 | - | 741,122 |
| Investment in related parties | | | | | | | | |
| EFU General Insurance Limited | 3,943,875 | 3,943,875 | AA+ | AA+ | 488,978 | 488,978 | 603,018 | 595,525 |
| EFU Life Assurance Limited | 982,000 | 982,000 | AA+ | AA+ | 190,595 | 190,595 | 248,927 | 211,592 |
| Sitara Chemical Industries Limited | 1,651,250 | 1,896,400 | A+ | - | 493,697 | 544,676 | 496,993 | 1,099,912 |
| TRG Pakistan Limited | 32,023,760 | 32,023,760 | Unrated | Unrated | 590,311 | 590,311 | 947,903 | 1,417,372 |
| | | | | | 3,704,524 | 2,626,343 | 3,595,918 | 4,291,093 |
| | | | | | 4,031,094 | 3,359,027 | 3,918,331 | 5,037,329 |

11.2.2.1 During the year, the Bank has recognized impairment loss on D.G.Khan Cement Limited and Power Cement Limited by Rs. 189.013 million and 317.392 million respectively due to significant / prolong decline in the fair value of these securities.

11.2.2.2 On June 23, 2017 SECP approved PSX's application for listing and thereafter, the shares were successfully listed on June 29, 2017. Accordingly, after that these are carried at market value.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

11.2.3 Details of investment in ordinary shares of unlisted companies

| Name of the company | Name of Chief Executive / Managing Director | Break-up value per share | | Number of shares | | Cost / break-up value | |
|---|--|--------------------------|---------|---------------------|------------|----------------------------|---------|
| | | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | | ----- Rupees ----- | | ----- Numbers ----- | | ----- Rupees in '000 ----- | |
| - ISE Towers REIT Management Limited (formerly Islamabad Stock Exchange Limited) | 11.2.3.1 Mr. Aftab Ahmad Chaudhry | * 11.76 | 11.67 | 1,213,841 | 1,213,841 | 11,000 | 11,000 |
| - Society for Worldwide Interbank Financial Telecommunication (SWIFT) | 11.2.3.2 Mr. Gottfried Leibbrandt | **495,821 | 387,225 | 6 | 6 | 2,406 | 2,406 |
| - Pakistan Stock Exchange Limited (PSX) | 11.2.2.1 | - | - | - | 4,007,383 | - | 15,273 |
| - AGP Limited (formerly Appollo Pharma Limited) | Mr. Nusrat Munshi | - | 14.05 | - | 13,400,000 | - | 539,785 |
| | | | | | | 13,406 | 568,464 |

* Based on unaudited accounts as of June 30, 2017

** Based on audited accounts as of December 31, 2016

11.2.3.1 In accordance with the requirements of the Stock Exchanges (Corporatization, Demutualization and Integration) Act, 2012 (the Act), the Group has received 3,034,603 shares of Rs.10 each including trading right entitlement certificate (TREC) of the Islamabad Stock Exchange (ISE), in lieu of its Membership Card held by the Bank. Further, upon integration of Islamabad Stock Exchange under the "ISE Scheme of Integration" in 2016 TRE Certificates holders of ISE have been issued 1,213,841 shares of "ISE Towers REIT Management Limited".

11.2.3.2 The Holding Company qualified as a member based on the financial contribution to SWIFT for network-based services. The Holding Company has made an investment as per the requirements of By-Laws of SWIFT, under the Share Re-allocation Process, as a result becoming entitled to invest in for six shares. The participation is mandatory to avail the desired network-based services for financial message transmission for cross-border payments and receipt. Further, the share re-allocation occurs every three years and will result in either an increase, decrease, or a status quo in individual shareholding.

Notes to the Consolidated Financial Statements

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11.2.4 Details of investment in preference shares of listed companies

| Name of the company | Percentage of holding | Face value per share | Number of shares | Cost | | Market value | |
|--|-----------------------|----------------------|------------------|----------------------------|----------------|--------------|----------|
| | | | | 2017 | 2016 | 2017 | 2016 |
| | | | | ----- Rupees in '000 ----- | | | |
| Available-for-sale securities | | | | | | | |
| Agritech Limited (note 11.2.4.1 & 11.2.4.3) | 3.03% | 10 | 4,823,746 | 48,236 | 48,236 | - | - |
| Chenab Limited (note 11.2.4.2 & 11.2.4.3) | 15.45% | 10 | 12,357,000 | 88,353 | 88,353 | - | - |
| | | | | 136,589 | 136,589 | - | - |

11.2.4.1 These are non-voting cumulative preference shares, carrying preference dividend @ 10% p.a and are convertible into ordinary shares at the option of the Group after five years from the date of issuance i.e. February 2012. The investee company also has the option to redeem these preference shares plus any unpaid dividend in full or in part, within ninety days after expiry of each anniversary of the issue date. The Group has recognised full impairment on these shares amounting to Rs.48.236 million (2016: Rs.48.236 million) due to weak financial position of the company.

11.2.4.2 These are cumulative preference shares, carrying preference dividend @ 9.25% p.a and are redeemable in part after four years from the date of issuance i.e. August 2008. The investee company also has an option to redeem, in part, cumulative preference shares after August 2008. The Group has recognized full impairment on these shares amounting to Rs.88.353 million (2016: Rs.88.353 million) due to weak financial position of the company.

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

11.2.5 Details of investment in term finance certificates - listed *

| Name of the company | Number of certificates | | Rating | | Cost | | Market value | | |
|--|------------------------|--------|---------|---------------------|----------------|----------------------------|---------------|---------------|--|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | |
| | | | | ----- Numbers ----- | | ----- Rupees in '000 ----- | | | |
| Held-for-trading securities | | | | | | | | | |
| Jahangir Siddiqui Co. Ltd. - VIII - related party | 6,000 | 6,000 | AA+ | AA+ | 14,263 | 21,023 | 14,307 | 21,013 | |
| Available-for-sale securities | | | | | | | | | |
| Worldcall Telecom Limited (note 11.2.5.1) | 90,650 | 90,650 | Unrated | Unrated | 182,322 | 182,322 | - | - | |
| | | | | | 196,585 | 203,345 | 14,307 | 21,013 | |

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

Notes to the Consolidated Financial Statements

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11.2.5.1 Due to weak financial position of the company the Group has recognised full impairment loss on these term finance certificates.

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

| Name of the company | Repayment frequency | Rate per annum | Maturity date |
|---|---------------------|------------------------------------|------------------|
| Held-for-trading securities | | | |
| Jahangir Siddiqui Co. Ltd. - 8th issue - related party | Semi-annually | 6 Months KIBOR ask rate plus 1.75% | April 08, 2019 |
| Available-for-sale securities | | | |
| Worldcall Telecom Limited | Semi-annually | 6 Month KIBOR ask rate plus 1.60% | October 15, 2021 |

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

| Name of the company | Number of certificates | | Rating | | Face value per certificate Rupees | Cost | | |
|---|------------------------|---------|---------|---------|--------------------------------------|----------------------------|----------------|------------------|
| | 2017 | 2016 | 2017 | 2016 | | 2017 | 2016 | |
| | ----- Numbers ----- | | | | | ----- Rupees in '000 ----- | | |
| Available-for-sale securities | | | | | | | | |
| AgriTech Limited | 11.2.6.1 | 30,000 | 30,000 | Unrated | Unrated | 5,000 | 149,860 | 149,860 |
| NRSP Microfinance Bank Limited Pakistan Water & Power Development Authority (WAPDA) | | 60,000 | 60,000 | A | A | 5,000 | 75,000 | 225,000 |
| Azgard Nine Limited (related party) | 11.2.6.1 | 100,000 | 100,000 | AAA | AAA | 5,000 | 285,714 | 357,143 |
| Azgard Nine Limited (related party) (privately placed TFCs) | 11.2.6.2 | 29,998 | 29,998 | Unrated | Unrated | 5,000 | 65,022 | 65,022 |
| Askari Bank Limited - 4th Issue | | 12 | 12 | Unrated | Unrated | N/A | 326,456 | 326,456 |
| Bank Alfalah Limited - 4th issue | | - | 75 | - | AA- | 1,000,000 | - | 75,047 |
| Independent Media Corporation (Pvt.) Limited | | - | 1,440 | - | AA- | 5,000 | - | 4,797 |
| | | - | 20,000 | - | BBB- | 5,000 | - | 35,000 |
| | | | | | | | 902,052 | 1,238,325 |

11.2.6.1 Due to weak financial position of the company the Group has recognised full impairment loss on these term finance certificates.

11.2.6.2 These PPTFCs are held by JS Global Capital Limited has recognised full provision considering the financial position of the issuer amounting to Rs.326.456 million (2016: Rs.326.456 million).

Notes to the Consolidated Financial Statements

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

| Name of the company | Repayment frequency | Rate per annum | Maturity date |
|---|---------------------|---|--|
| Available-for-sale securities | | | |
| Agritech Limited (Chief Executive: Mr. Faisal Muzammil) | Semi-annually | 6 Month KIBOR ask rate plus 1.75%. | November 29, 2019 |
| NRSP Microfinance Bank Limited (Chief Executive: Mr. Zahoor Hussain Khan) | Quarterly | 3 Month KIBOR ask rate plus 2.35%. | June 30, 2018 |
| Pakistan Water & Power Development Authority (WAPDA) (Chairman: Lieutenant General Muzammil Hussain (Retd.)) | Semi-annually | 6 Month KIBOR ask rate plus 1.00%. | September 27, 2021 |
| Azgard Nine Limited - related party (Chief Executive: Mr. Ahmed H. Shaikh) | Semi-annually | 6 Month KIBOR ask rate plus 1.75% and 11% | December 04, 2017 and October 19, 2020 |

11.2.7 Sukuk certificates - listed

| Name of the company | Number of certificates | | Rating | | Cost | | Market value | |
|--|------------------------|-------|---------|------|----------------------------|--------|---------------|--------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | ----- Numbers ----- | | | | ----- Rupees in '000 ----- | | | |
| Held-for-trading securities | | | | | | | | |
| Engro Corporation Limited - Islamic Rupiya I | - | 1,635 | AA+ | AA+ | - | 8,704 | - | 8,566 |
| Engro Corporation Limited - Islamic Rupiya II | 597 | 597 | AA+ | AA+ | 3,512 | 3,412 | 3,371 | 3,512 |
| Dawood Hercules Corporation Limited (note 11.2.7.2) | 520 | - | Unrated | | 52,000 | - | 52,000 | - |
| | | | | | 55,512 | 12,116 | 55,371 | 12,078 |

11.2.7.1 Details of investments in listed sukuk certificate

| Name of the company | Repayment frequency | Rate per annum | Maturity date |
|---|---------------------|----------------|---------------|
| Engro Corporation Limited - Islamic Rupiya II | Semi-annually | 13.50% | July 10, 2019 |

11.2.7.2 This represents, the advance against subscription of sukuk certificates of the Dawood Hercules Corporation Limited, having tenor of five years and carrying mark-up at the rate of 1% plus 3 months KIBOR. Subsequent to year end, the units are allocated into the CDC account of the JS Global, the Company.

11.2.8 Sukuk certificates - unlisted

| Name of the company | Number of certificates | | Rating | | Face value per certificate | Cost | |
|--------------------------------------|------------------------|--------|--------|------|----------------------------|----------------------------|---------|
| | 2017 | 2016 | 2017 | 2016 | | 2017 | 2016 |
| | ----- Numbers ----- | | | | Rupees | ----- Rupees in '000 ----- | |
| Available-for-sale securities | | | | | | | |
| Engro Fertilizers Limited | 80,000 | 80,000 | AA- | AA- | 3,500 | 280,000 | 360,000 |
| Byco Oil Pakistan Limited | 6,810 | - | AAA | - | 100,000 | 681,000 | - |
| Ghani Gases Limited | 2,000 | - | A | - | 87,500 | 175,000 | - |
| AGP Limited | 5,500 | - | A | - | 90,000 | 495,000 | - |
| | | | | | | 1,631,000 | 360,000 |

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

| Name of the company | Repayment frequency | Profit rate per annum | Maturity date |
|---|---------------------|------------------------------------|-------------------|
| Engro Fertilizers Limited (Chief Executive: Mr. Ruhail Muhammad) | Semi-annually | 6 Month KIBOR ask rate plus 1.75%. | July 09, 2019 |
| Byco Oil Pakistan Limited (Chief Executive: Mr. Amir Abbassciy) | Quarterly | 3 Month KIBOR ask rate plus 1.05%. | January 18, 2022 |
| Ghani Gases Limited (Chief Executive: Mr. Atique Ahmad Khan) | Quarterly | 3 Month KIBOR ask rate plus 1.00%. | February 03, 2023 |
| AGP Limited (Chief Executive: Mr. Nusrat Munshi) | Quarterly | 3 Month KIBOR ask rate plus 1.30%. | June 09, 2022 |

11.2.9 Details of investment in units of open end mutual funds

| Name of fund | Number of units | | Rating | | Net asset value per unit Rupees | Cost | | Market value | |
|--|-----------------|-----------|---------|---------|------------------------------------|-----------|-----------|--------------|-----------|
| | 2017 | 2016 | 2017 | 2016 | | 2017 | 2016 | 2017 | 2016 |
| ----- Numbers ----- | | | | | | | | | |
| Held-for-trading securities | | | | | | | | | |
| ABL Cash Fund | 21,806,577 | - | AA (f) | - | 10.32 | 225,000 | - | 225,000 | - |
| Held-for-trading securities - related parties | | | | | | | | | |
| JS Cash Fund | 418,688 | 55,020 | AA (f) | A+ | 104.18 | 42,501 | 5,638 | 43,619 | 5,790 |
| JS Income Fund | 552,774 | 1,439,650 | A+ (f) | A1 | 98.44 | 53,000 | 138,974 | 54,415 | 143,346 |
| JS Islamic Income Fund | 1,007,964 | 1,469,339 | Unrated | A1 | 102.40 | 102,964 | 149,747 | 103,216 | 150,872 |
| | | | | | | 423,465 | 294,359 | 426,250 | 300,008 |
| Available-for-sale securities | | | | | | | | | |
| NAFA Government Securities Liquid Fund | - | 9,325,314 | AAA (f) | AAA (f) | Rs.10.42 | - | 100,000 | - | 97,157 |
| Related parties (note: 11.2.9.1) | | | | | | | | | |
| JS IAAP2 | 100,000 | - | Unrated | - | 100.16 | 10,000 | - | 10,016 | - |
| JS Value Fund | 2,565,210 | 2,745,548 | Unrated | A+ | 200.43 | 465,731 | 464,320 | 514,145 | 705,935 |
| JS Growth Fund | 3,554,958 | 3,606,837 | Unrated | A+ | 180.36 | 597,685 | 601,851 | 641,172 | 804,830 |
| JS Fund of Funds | 3,441,521 | 3,355,325 | Unrated | A+ | 50.63 | 181,553 | 176,520 | 174,244 | 193,770 |
| JS Islamic Pension Savings Fund - Equity | 240,000 | 200,000 | Unrated | A+ | 454.01 | 24,000 | 20,000 | 108,962 | 152,800 |
| JS Islamic Pension Savings Fund - Debt | 177,761 | 213,852 | Unrated | A+ | 232.96 | 17,776 | 21,385 | 41,411 | 41,263 |
| JS Islamic Pension Savings Fund - Money Market | 177,463 | 222,303 | Unrated | A+ | 187.25 | 17,746 | 22,230 | 33,230 | 36,969 |
| JS Pension Savings Fund - Money Market | 222,303 | 177,463 | Unrated | A+ | 171.07 | 22,230 | 17,746 | 38,029 | 32,144 |
| JS Pension Savings Fund - Debt | 213,852 | 177,761 | Unrated | A+ | 197.87 | 21,386 | 17,777 | 42,315 | 39,591 |
| JS Pension Savings Fund - Equity | 200,000 | 240,000 | Unrated | A+ | 625.93 | 20,000 | 24,000 | 125,186 | 129,504 |
| | | | | | | 1,378,107 | 1,465,829 | 1,728,710 | 2,233,963 |
| | | | | | | 1,801,572 | 1,760,188 | 2,154,960 | 2,533,971 |

11.2.9.1 The Group has recognised impairment on these units amounting to Rs.106.513 million (2016: Rs.144.746).

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11.2.10 Details of investment in foreign currency bonds

| Name of Bond | Rating | | Coupon | Date of maturity | Cost | | Market value | |
|--|--------|------|--------|--------------------|------------------|------------------|------------------|------------------|
| | 2017 | 2016 | Rate % | | 2017 | 2016 | 2017 | 2016 |
| Available for sale | | | | | | | | |
| ----- Rupees in '000 ----- | | | | | | | | |
| African Export - Import Bank | Baa1 | - | 4.13% | June 20, 2024 | 223,514 | - | 222,592 | - |
| Islamic Republic of Pakistan | B | - | 6.88% | December 5, 2027 | 55,209 | - | 55,354 | - |
| Türkiye İs Bankası A.S | BB+ | - | 5.50% | April 21, 2022 | 389,917 | - | 389,799 | - |
| Türkiye İs Bankası A.S | BB+ | - | 5.38% | October 6, 2021 | 55,025 | - | 55,655 | - |
| Türkiye İs Bankası A.S | BB+ | - | 6.13% | April 25, 2024 | 224,545 | - | 222,519 | - |
| State Oil Company of the Azerbaijan | BB+ | - | 4.75% | March 13, 2023 | 148,044 | - | 151,830 | - |
| Export Credit Bank of Turkey | BB+ | - | 5.38% | October 24, 2023 | 108,844 | - | 111,566 | - |
| PTA Bank | Baa3 | - | 5.38% | March 14, 2022 | 112,662 | - | 115,171 | - |
| Rosneft International Finance DAC | Ba1 | - | 4.20% | March 6, 2022 | 178,092 | - | 178,227 | - |
| Arab Republic of Egypt | B | - | 7.50% | January 31, 2027 | 235,088 | - | 243,892 | - |
| Petrobras Global Finance | BB | - | 7.38% | January 17, 2027 | 118,759 | - | 121,354 | - |
| Russian Federation | BBB- | - | 4.25% | June 23, 2027 | 110,417 | - | 113,698 | - |
| Arab Republic of Egypt | B | - | 5.88% | June 11, 2025 | 218,116 | - | 222,727 | - |
| Gazprom via Gaz Capital SA | BBB- | - | 4.25% | April 6, 2024 | 153,547 | - | 154,245 | - |
| Banco BTG Pactual S.A. | Ba3 | - | 4.00% | January 16, 2020 | 65,010 | - | 65,551 | - |
| DIB Sukuk Ltd. | A | - | 3.66% | February 14, 2022 | 23,519 | - | 23,723 | - |
| BOS Funding Ltd | BBB+ | - | 4.23% | March 7, 2022 | 110,492 | - | 112,055 | - |
| Saudi International Bond | A+ | - | 2.88% | March 4, 2023 | 30,639 | - | 30,271 | - |
| Akbank Tas | BB+ | - | 5.00% | October 24, 2022 | 168,014 | - | 166,663 | - |
| Türkiye Garanti Bankası A.S | BBB- | - | 5.25% | September 13, 2022 | 227,874 | - | 225,090 | - |
| Türkiye Garanti Bankası A.S | BBB- | - | 5.88% | March 16, 2023 | 115,941 | - | 114,418 | - |
| African Export - Import Bank | Baa1 | Baa2 | 4.00% | May 24, 2021 | 232,521 | 220,151 | 235,918 | 220,049 |
| Deutches Bank AG | BBB+ | BBB+ | 3.38% | May 12, 2021 | 138,943 | 131,544 | 140,275 | 130,013 |
| CBD (Cayman) Ltd | A- | A- | 4.00w% | November 17, 2020 | 224,056 | 213,242 | 226,086 | 213,048 |
| Türkiye İs Bankası A.S | BB+ | Ba1 | 5.50% | April 21, 2019 | 111,381 | 106,174 | 112,458 | 105,351 |
| Akbank Tas | BB+ | Ba1 | 4.00% | January 24, 2020 | 54,883 | 51,851 | 55,327 | 50,691 |
| Türkiye Garanti Bankası A.S | BBB- | Ba1 | 4.75% | October 17, 2019 | 55,623 | 52,898 | 56,017 | 51,931 |
| Republic Of Kazakhstan | BBB | BBB- | 5.13% | July 21, 2025 | 117,360 | 111,905 | 122,883 | 111,457 |
| Türkiye Halk Bankası A.S | BB+ | Ba1 | 3.88% | February 5, 2020 | 68,761 | 65,031 | 65,894 | 60,971 |
| Bankpozitif Kredi Ve Kalkınma Bankası A.S | BBB- | BBB- | 5.00% | February 7, 2018 | 115,938 | 109,828 | 115,816 | 106,501 |
| Samarco Mineracao SA (note 11.2.10.1) | CC | C | 5.38% | September 26, 2024 | 53,527 | 52,374 | 37,696 | 28,184 |
| Abu Dhabi National Energy Company PJSC | A3 | A- | 3.63% | June 22, 2021 | 30,181 | 28,572 | 30,717 | 28,920 |
| Bankpozitif Kredi Ve Kalkınma Bankası A.S | BBB- | BBB- | 5.00% | February 7, 2018 | 55,192 | 52,129 | 55,151 | 50,715 |
| Yapi Ve Kredi Bankası | - | Ba1 | - | - | - | 104,366 | - | 99,297 |
| Barclays Bank Plc | - | BBB | - | - | - | 102,273 | - | 104,464 |
| Deutches Bank AG | - | BBB+ | - | - | - | 204,309 | - | 205,478 |
| Credit Suisse Group Funding | - | BBB+ | - | - | - | 103,284 | - | 104,295 |
| HSBC Holdings Plc | - | A1 | - | - | - | 23,385 | - | 23,747 |
| Perusahaan Penerbit SBSN | - | Baa3 | - | - | - | 104,599 | - | 104,110 |
| Oman Government International | - | BBB | - | - | - | 51,875 | - | 52,235 |
| Islamic Republic of Pakistan | - | B | - | - | - | 657,554 | - | 662,968 |
| Islamic Republic of Pakistan | - | B | - | - | - | 668,085 | - | 687,118 |
| Islamic Republic of Pakistan | - | B | - | - | - | 779,606 | - | 792,346 |
| Federal Republic Of Brazil | - | BB | - | - | - | 105,372 | - | 107,815 |
| Islamic Republic of Pakistan | - | B | - | - | - | 317,841 | - | 317,153 |
| EA Partners II BV | - | B | - | - | - | 209,197 | - | 210,406 |
| Emirates NBD PJSC | - | A3 | - | - | - | 104,599 | - | 104,814 |
| Gazprombank (OJSC) | - | BB+ | - | - | - | 69,767 | - | 71,841 |
| Banco BTG Pactual | - | BB- | - | - | - | 61,051 | - | 57,893 |
| Africa Finance Corporation | - | A3 | - | - | - | 211,879 | - | 213,853 |
| IBQ Finance Limited | - | A+ | - | - | - | 208,782 | - | 211,251 |
| The Third Pakistan International Sukuk Co. Ltd. | - | B | - | - | - | 418,394 | - | 426,026 |
| | | | | | 4,331,634 | 5,701,917 | 4,350,638 | 5,714,941 |

11.2.10.1 The Bank has recognised partial impairment on this bond amounting to Rs.31.653 million (2016: Rs.31.653 million) due to weak financial position of the company.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

| | | 2017 | 2016 |
|---|-----------|----------------------------|-----------|
| | Note | ----- Rupees in '000 ----- | |
| 11.3 Particulars of provision for diminution in value of investments | | | |
| Opening balance | | 1,420,022 | 1,080,118 |
| Charge for the year | | 506,405 | 415,027 |
| Reversal on disposal of investments | | (421,608) | (75,123) |
| | | 84,797 | 339,904 |
| Closing balance | | 1,504,819 | 1,420,022 |
| 11.3.1 Particulars of provision for diminution in value of investments by type and segment | | | |
| Available-for-sale | | | |
| Ordinary shares - listed | 11.2.2 | 506,405 | - |
| Ordinary shares - unlisted | 11.2.3 | - | 383,374 |
| Preference shares - listed | 11.2.4 | 136,589 | 136,589 |
| Open end mutual funds | 11.2.9 | 106,512 | 144,746 |
| Term Finance Certificates - unlisted | 11.2.6 | 541,338 | 541,338 |
| Term Finance Certificates - listed | 11.2.5 | 182,322 | 182,322 |
| Foreign currency bonds | 11.2.10.1 | 31,653 | 31,653 |
| | | 1,504,819 | 1,420,022 |
| 11.4 Unrealised gain / (loss) on revaluation of investments classified as held-for-trading - net | | | |
| Market treasury bills | | (214) | (1,297) |
| Pakistan investment bonds | | (2,274) | - |
| Ordinary shares - listed | | (4,156) | 13,551 |
| Term finance certificates - listed | | 44 | (10) |
| Open end mutual funds | | 2,783 | 5,648 |
| Sukuk certificates - listed | | (141) | (38) |
| | | (3,958) | 17,854 |

11.5 Details of non-wholly owned subsidiaries that have material non-controlling interest (NCI) to the Group

The table below shows non-wholly owned subsidiaries that have material non-controlling interest to the group based on quantum of NCI.

| Name of Subsidiary | Ownership interests held by non- controlling interest | |
|---------------------------|---|--------|
| | 2017 | 2016 |
| JS Global Capital Limited | 32.84% | 32.84% |
| JS Investment Limited | 34.84% | 34.84% |

The following is summarised financial information for JSGCL and JSIL, prepared in accordance with approved accounting standards as applicable in Pakistan, modified for differences in group accounting policies. The information is before inter-company eliminations with other companies in the group.

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| | JSGCL | | JSIL | |
|--|----------------------------|------------------|------------------|------------------|
| | 2017 | 2016 | 2017 | 2016 |
| | ----- Rupees' in 000 ----- | | | |
| Total income | 891,228 | 748,413 | 386,380 | 493,733 |
| Profit after tax | 85,530 | 171,038 | 32,216 | 199,698 |
| Profit attributable to NCI | 28,088 | 56,169 | 11,223 | 69,575 |
| Total assets | 3,762,455 | 4,391,037 | 2,599,123 | 3,074,008 |
| Total liabilities | 1,161,038 | 1,901,962 | 254,122 | 308,653 |
| Net assets | 2,601,417 | 2,489,075 | 2,345,001 | 2,765,355 |
| Cash flow from operating activities | 460,402 | 166,142 | (99,084) | (104,965) |
| Cash flow from investing activities | 170,371 | (46,832) | 143,566 | 103,384 |
| Cash flow from financing activities | 5 | (551,684) | (40,092) | (18) |
| Net increase in cash and cash equivalents | 630,778 | (432,374) | 4,390 | (1,599) |

11.6 Investments include certain approved / government securities which are held by the Bank to comply with the Statutory Liquidity Requirement determined on the basis of the Bank's demand and time liabilities as set out under section 29 of the Banking Companies Ordinance, 1962.

| 12. ADVANCES | Note | 2017 | 2016 |
|--|------|----------------------------|-------------|
| | | ----- Rupees in '000 ----- | |
| Loans, cash credit, running finances, etc. | | | |
| In Pakistan | | 160,657,078 | 84,712,910 |
| Outside Pakistan | | 702,934 | 2,139 |
| | | 161,360,012 | 84,715,049 |
| Net investment in finance lease in Pakistan | 12.2 | 13,781,334 | 7,532,153 |
| Bills discounted and purchased (excluding market treasury bills) | | | |
| payable in Pakistan | | 6,174,461 | 1,444,580 |
| payable outside Pakistan | | 5,584,681 | 2,780,065 |
| | | 11,759,142 | 4,224,645 |
| Advances - gross | 12.1 | 186,900,488 | 96,471,847 |
| Provision against non-performing advances - specific | 12.3 | (2,638,960) | (2,618,353) |
| Provision against advances - general | 12.4 | (100,353) | (40,988) |
| | | (2,739,313) | (2,659,341) |
| Advances - net of provision | | 184,161,175 | 93,812,506 |
| 12.1 Particulars of advances (gross) | | | |
| 12.1.1 In local currency | | 180,526,247 | 92,904,042 |
| In foreign currencies | | 6,374,241 | 3,567,805 |
| | | 186,900,488 | 96,471,847 |
| 12.1.2 Short term (for up to one year) | | 122,523,127 | 77,188,912 |
| Long term (for over one year) | | 64,377,361 | 19,282,935 |
| | | 186,900,488 | 96,471,847 |

Notes to the Consolidated Financial Statements

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12.2 Particulars of net investment in finance lease

| | 2017 | | | 2016 | | |
|---|----------------------------|---|-------------|-------------------------|---|-----------|
| | Not later than one year | Later than one and less than five years | Total | Not later than one year | Later than one and less than five years | Total |
| | ----- Rupees in '000 ----- | | | | | |
| Lease rentals receivable | 5,222,208 | 6,584,317 | 11,806,525 | 2,619,528 | 3,804,142 | 6,423,670 |
| Guaranteed residual value | 412,388 | 2,911,823 | 3,324,211 | 150,701 | 1,732,591 | 1,883,292 |
| Minimum lease payments | 5,634,596 | 9,496,140 | 15,130,736 | 2,770,229 | 5,536,733 | 8,306,962 |
| Finance charges for future periods | (776,285) | (573,117) | (1,349,402) | (435,151) | (339,658) | (774,809) |
| Present value of minimum lease payments | 4,858,311 | 8,923,023 | 13,781,334 | 2,335,078 | 5,197,075 | 7,532,153 |

12.3 Advances include Rs.3,257.997 million (2016: Rs.3,327.942 million) which have been placed under non-performing status as detailed below:

| Category of classification | 2017 | | | Provision required | Provision held |
|-----------------------------------|----------------------------|----------|-----------|--------------------|----------------|
| | Domestic | Overseas | Total | | |
| Note | ----- Rupees in '000 ----- | | | | |
| Other assets especially mentioned | 5,222 | - | 5,222 | - | - |
| Substandard | 336,818 | - | 336,818 | 44,307 | 44,307 |
| Doubtful | 131,328 | - | 131,328 | 7,333 | 7,333 |
| Loss | 2,784,629 | - | 2,784,629 | 2,587,320 | 2,587,320 |
| 12.4 | 3,257,997 | - | 3,257,997 | 2,638,960 | 2,638,960 |
| | ----- Rupees in '000 ----- | | | | |
| | 2016 | | | Provision required | Provision held |
| | Domestic | Overseas | Total | | |
| Other assets especially mentioned | - | - | - | - | - |
| Substandard | 384,986 | - | 384,986 | 46,076 | 46,076 |
| Doubtful | 48,302 | - | 48,302 | 531 | 531 |
| Loss | 2,894,654 | - | 2,894,654 | 2,571,746 | 2,571,746 |
| 12.4 | 3,327,942 | - | 3,327,942 | 2,618,353 | 2,618,353 |

Notes to the Consolidated Financial Statements

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12.4 Particulars of provision against non-performing advances

| Note | 2017 | | | 2016 | | |
|---|----------------------------|----------------|------------------|------------------|---------------|------------------|
| | Specific | General | Total | Specific | General | Total |
| | ----- Rupees in '000 ----- | | | | | |
| Opening balance | 2,618,353 | 40,988 | 2,659,341 | 2,705,929 | 17,252 | 2,723,181 |
| Charge for the year | 178,071 | 59,365 | 237,436 | 183,923 | 23,736 | 207,659 |
| Reversals | (34,622) | - | (34,622) | (271,346) | - | (271,346) |
| | 143,449 | 59,365 | 202,814 | (87,423) | 23,736 | (63,687) |
| Amount written off from the opening balance | 12.6 (122,842) | - | (122,842) | (153) | - | (153) |
| Closing balance | 2,638,960 | 100,353 | 2,739,313 | 2,618,353 | 40,988 | 2,659,341 |

12.4.1 Particulars of provision against non-performing advances

| | | | | | | |
|-------------------|-----------|---------|-----------|-----------|--------|-----------|
| In local currency | 2,638,960 | 100,353 | 2,739,313 | 2,618,353 | 40,988 | 2,659,341 |
|-------------------|-----------|---------|-----------|-----------|--------|-----------|

12.4.2 The general provision is maintained to create general reserves against following advances portfolios in accordance with the prudential regulations issued by State Bank of Pakistan as follows:

| | 2017 | | 2016 | |
|-----------------------------|-------------------------|---------------------|-------------------|---------------------|
| | Secured portfolio | Unsecured portfolio | Secured portfolio | Unsecured portfolio |
| | ----- Percentages ----- | | | |
| Small enterprises financing | - | 1% | - | - |
| Consumer financing | 1% | 1% | 4% | 4% |
| Housing finance | 0.5% | 0.5% | - | - |

12.5 The State Bank of Pakistan through various circulars has allowed benefit of the forced sale value (FSV) of Plant and Machinery under charge, pledged stock and mortgaged residential, commercial and industrial properties (land and building only) held as collateral against non-performing loans (NPLs) for a maximum of five years from the date of classification. As at December 31, 2017, the Bank has availed cumulative benefit of FSV of Rs.295.536 million (2016: Rs.398.690 million) under the directives of the SBP. Had the benefit not been taken the unappropriated profit after tax would have reduced by Rs.192.098 million (2016: Rs.259.149 million). Further, as required by the SBP directives, this unappropriated profit will not be available for distribution as dividend or other appropriations.

12.6 Particulars of Write Offs:

| | 2017 | 2016 |
|---|----------------------------|------|
| | ----- Rupees in '000 ----- | |
| 12.6.1 Against provisions | 122,842 | 153 |
| Directly charged to profit and loss account | - | 83 |
| | 122,842 | 236 |
| 12.6.2 Write offs of Rs.500,000 and above | 122,703 | - |
| Write offs of Below Rs.500,000 | 139 | 236 |
| | 122,842 | 236 |

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12.6.3 During the period, the Board of Directors in their meeting held on April 27, 2017 authorised the Bank to write-off the fully provided non-performing loans amounting to Rs.122.842 million. These loans are written-off as a book entry without prejudice to the Bank's right of recovery against the customers. In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to a person during the year ended December 31, 2017 is given in Annexure 'II' to these financial statements.

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

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

| | Note | 2017 ----- Rupees in '000 ----- | 2016 |
|---|------|------------------------------------|-----------|
| Balance at the beginning of the year | | 1,732,978 | 1,331,708 |
| Loans granted during the year | | 1,142,255 | 883,950 |
| Repayments | | (524,834) | (482,680) |
| Balance at the end of the year | | 2,350,399 | 1,732,978 |
| 13. OPERATING FIXED ASSETS | | | |
| Capital work-in-progress | 13.1 | 315,285 | 247,505 |
| Property and equipment | 13.2 | 5,397,430 | 3,992,811 |
| Intangible assets | 13.3 | 1,876,987 | 1,781,247 |
| | | 7,589,702 | 6,021,563 |
| 13.1 Capital work-in-progress | | | |
| Property and equipment | | | |
| Civil works | | 125,840 | 129,015 |
| Advances for purchase of building | | - | 5,377 |
| Advances for purchase of furniture and fixtures | | 290 | 1,785 |
| Advance for purchase of vehicles | | 59,190 | 26,405 |
| Advance for purchase of equipment and software | | 129,965 | 84,923 |
| | | 315,285 | 247,505 |

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13.2 Property and equipment

| | COST | | | | ACCUMULATED DEPRECIATION | | | | Book value as at December 31, 2017 | Rate % | |
|---|------------------------|-------------------------------------|-------------------------|--|--------------------------|---|---|-----------------------------|------------------------------------|-------------|-------------------------|
| | As at January 01, 2017 | Surplus on revaluation Note: 13.2.4 | Additions / deletions | Exchange gain / adjustments Note: 13.2.3 | As at December 31, 2017 | As at January 01, 2017 | Charge for the year / Depreciation on deletions | Exchange gain / adjustments | | | As at December 31, 2017 |
| Lease hold land | 927,051 | 124,654 | - | - | 1,089,566 | - | - | - | - | 1,089,566 | - |
| Building on lease hold land | 1,100,277 | 814,053 | 510 | 37,861 | 1,874,439 | 174,265 | 146 | 218,863 | 1,655,576 | 1,655,576 | 1.02 - 4.78 |
| Lease hold improvements | 1,010,179 | - | 162,661 | (41,479) | 1,172,840 | 443,462 | - | 541,242 | 631,598 | 631,598 | 10 - 20 |
| Furniture and fixture | 451,481 | - | 91,975 | 310 | 542,751 | 234,499 | 50 | 283,943 | 258,808 | 258,808 | 10 - 12.5 |
| Electrical, office and computer equipment | 2,204,172 | - | 526,691 | 217 | 2,707,825 | 1,276,170 | 299,369 | 48 | 1,554,613 | 1,153,212 | 12.5 - 33.3 |
| Vehicles | 768,021 | - | 363,859 | 177 | 990,166 | 339,974 | 151,478 | 30 | 381,496 | 608,670 | 20 |
| | 6,461,181 | 938,707 | 1,145,696 | 1,782 | 8,377,587 | 2,468,370 | 643,303 | 274 | 2,980,157 | 5,397,430 | |
| | | | (166,161) | (3,618) | | | (131,990) | | | | |
| | COST | | | | ACCUMULATED DEPRECIATION | | | | Book value as at December 31, 2016 | Rate % | |
| | As at January 01, 2016 | Additions / deletions | Write off / adjustments | As at December 31, 2016 | As at January 01, 2016 | Charge for the year / Depreciation on deletions | Write off / adjustments | As at December 31, 2016 | | | |
| Land and freehold | 370,500 | 543,590 | - | 12,961 | 927,051 | - | - | - | 927,051 | - | |
| Building on lease hold land | 849,370 | 262,268 | - | (11,361) | 1,100,277 | 149,479 | 33,850 | 174,265 | 926,012 | 1.01 - 4.78 | |
| Lease hold improvements | 750,963 | 273,478 | (12,662) | (1,600) | 1,010,179 | 357,381 | 89,679 | (12,662) | 566,717 | 10 - 20 | |
| Furniture and fixture | 366,846 | 103,320 | (2,819) | (15,866) | 451,481 | 207,883 | 45,074 | (15,866) | 216,982 | 10 - 12.5 | |
| Electrical, office and computer equipment | 1,827,702 | 453,073 | (18,083) | (58,520) | 2,204,172 | 1,100,811 | 249,007 | (58,520) | 928,002 | 12.5 - 33.3 | |
| Vehicles | 622,047 | 231,549 | (85,575) | - | 768,021 | 270,780 | 133,613 | - | 428,047 | 20 | |
| | 4,787,428 | 1,867,278 | (87,048) | (87,048) | 6,461,181 | 2,086,334 | 551,223 | (87,048) | 3,992,811 | | |
| | | (106,477) | - | - | | | (82,139) | | | | |

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

- 13.2.1** Included in cost of property and equipment are fully depreciated items still in use having cost of Rs.718.360 million (2016: Rs.731.763 million).
- 13.2.2** The details of disposals of assets whose original cost or book value exceeds one million rupees or two hundred and fifty thousand rupees respectively, whichever is lower, are given in Annexure I of these consolidated financial statements.
- 13.2.3** During the year, the Holding Company has reclassified Rs. 37.861 million into lands which was earlier classified in the buildings, resultantly the excess depreciation charged on land of Rs. 14.931 million is reversed accordingly.
- 13.2.4** The properties of the Group are revalued by independent professional valuers as at May 31, 2014 and September 30, 2017 by M/s. KG Traders (Pvt) Limited and M/s. Tristar International Consultants Pvt Ltd respectively on the basis of professional assessment of present market values and resulted in an increase in surplus by Rs.1,043.847 million. The total surplus arising against revaluation of fixed assets as at December 31, 2017 amounts to Rs.922.870 million. Had there been no revaluation, the carrying value of revalued land and building on land as at December 31, 2017 would have been lower by Rs.124.654 million and Rs.798.216 million respectively, and net surplus on revaluation of fixed assets, deferred tax liability and incremental depreciation would have been lower by Rs.656.597 million, Rs.266.273 million and Rs.15.836 million respectively.

13.3 Intangible assets

| Note | COST | | | ACCUMULATED AMORTISATION | | | | Book value as at December 31, 2017 | Rate % | |
|---|------------------------|------------------------|-----------|--------------------------|------------------------|---------------------------------------|---------------------|------------------------------------|-----------|-------------------------|
| | As at January 01, 2017 | Additions / adjustment | Deletions | As at December 31, 2017 | As at January 01, 2017 | Amortisation on deletions/ adjustment | Charge for the year | | | As at December 31, 2017 |
| | Rupees in '000 | | | | | | | | | |
| Trading right entitlement certificate (TREC) 13.3.1 | 5,727 | - | - | 5,727 | - | - | - | - | 5,727 | - |
| Membership card - Pakistan Mercantile Exchange Limited 13.3.2 | 3,500 | - | - | 3,500 | - | - | - | - | 3,500 | - |
| Computer software | 568,327 | 159,752 | - | 728,348 | 259,931 | - | 64,242 | 324,212 | 404,136 | 10 - 33.34 |
| Goodwill 13.3.3 | 1,463,624 | 269 | - | 1,463,624 | - | 39 | - | - | 1,463,624 | - |
| | 2,041,178 | 159,752 | - | 2,201,199 | 259,931 | 39 | 64,242 | 324,212 | 1,876,987 | |
| | | 269 | | | | | | | | |

| Note | COST | | | ACCUMULATED AMORTISATION | | | | Book value as at December 31, 2016 | Rate % | |
|---|------------------------|-----------|-----------|--------------------------|------------------------|---------------------------|---------------------|------------------------------------|-----------|-------------------------|
| | As at January 01, 2016 | Additions | Deletions | As at December 31, 2016 | As at January 01, 2016 | Amortisation on deletions | Charge for the year | | | As at December 31, 2016 |
| | Rupees in '000 | | | | | | | | | |
| Trading right entitlement certificate (TREC) 13.3.1 | 5,727 | - | - | 5,727 | - | - | - | - | 5,727 | - |
| Membership card - Pakistan Mercantile Exchange Limited 13.3.2 | 3,500 | - | - | 3,500 | - | - | - | - | 3,500 | - |
| Computer software | 518,583 | 49,744 | - | 568,327 | 205,988 | - | 53,943 | 259,931 | 308,396 | 10 - 33.34 |
| Goodwill 13.3.3 | 1,463,624 | - | - | 1,463,624 | - | - | - | - | 1,463,624 | - |
| | 1,991,434 | 49,744 | - | 2,041,178 | 205,988 | - | 53,943 | 259,931 | 1,781,247 | |

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

- 13.3.1** This represents Trading Right Entitlement Certificate (TREC) received from PSX in accordance with the requirements of the Stock Exchanges (Corporatisation, Demutalization and integration) Act, 2012 (the Act). The company has also received shares of PSX after completion of the demutualisation process.
- 13.3.2** This represents membership cards of Pakistan Mercantile Exchange. It has an indefinite useful life and is carried at cost.
- 13.3.3** For impairment testing, goodwill has been allocated to 'Trading and Sales' segment as Cash Generating Unit (CGU), which is also a reportable segment.
- 13.3.4 Key assumptions used in value in use calculation**

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

| | 2017 | 2016 |
|----------------------|-------------|-------|
| | Percentages | |
| Discount rate | 19.33 | 16.33 |
| Terminal growth rate | 10.00 | 10.00 |

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

a) Interest margins

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

b) Discount rates

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

c) Key business assumptions

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

Management believes that any significant change in key assumptions, on which CGU's recoverable amount is based, may impact the carrying amount to further exceed its recoverable amount. Value in use calculation of the CGU are sensitive to changes in assumptions for interest rate spreads, Non Funded Income (NFI), long term growth rates and discount rates.

d) Sensitivity to changes in assumption

The estimated recoverable amount of the 'Trading and Sales' CGU exceeds its carrying amount by approximately Rs.1,336.8 million. Management has identified two key assumptions for which there could be a reasonably possible change that could cause the carrying amount to exceed the recoverable amount. The following table shows the amount that these two assumptions are required to change individually in order for the estimated recoverable amount to be equal to the carrying amount.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

| | | Changes required for carrying amount to equal recoverable amount (%) | |
|-------------------------|---|--|------------------|
| | | 2017 | 2016 |
| | - Discount rate | 1.02 | 1.41 |
| | - Terminal growth rate | (1.49) | (1.92) |
| 14. OTHER ASSETS | Note | 2017 | 2016 |
| | | ----- Rupees in '000 ----- | |
| | Mark-up / income accrued in local currency | 4,055,364 | 2,331,591 |
| | Mark-up / income accrued in foreign currencies | 67,337 | 85,801 |
| | Trade receivable from brokerage and advisory business - net | 1,307,031 | 2,181,728 |
| | Advances, deposits, advance rent and other prepayments | 725,902 | 882,029 |
| | Taxation (payments less provision) | 462,440 | 490,593 |
| | Receivable against bancassurance / bancatakaful | 89,727 | 19,278 |
| | Dividend receivable | 7,943 | - |
| | Stationery and stamps in hand | 13,212 | 13,215 |
| | Balances due from funds under management | 110,222 | 115,189 |
| | Receivable from other banks in respect of remittance | 202,282 | 154,760 |
| | Non-banking assets acquired in satisfaction of claims | 203,339 | 175,808 |
| | Unrealised loss on revaluation of derivative instruments | 74,587 | - |
| | Advance for subscription of TFC - unsecured | 133,333 | - |
| | ATM settlement account | 226,827 | 171,428 |
| | Others | 209,807 | 149,966 |
| | | 7,889,353 | 6,771,386 |
| | Less: Provision held against other assets | (474,995) | (430,189) |
| | | 7,414,358 | 6,341,197 |

14.1 This includes an amount of Rs. 24.890 million (2016: Rs.60.787 million) due from related parties.

14.2 Included herein is a sum of Rs. 2.448 million (2016: Rs.26.368 million) receivable from related parties.

14.3 This includes an amount of Rs. 74.240 million (2016: Rs.19.132 million) due from related parties.

14.4 This includes an amount of Rs.132.069 million (2016: Rs.123.486 million) receivable from State Bank of Pakistan in respect of home remittance services provided by the Bank.

14.5 **Movement of Non banking assets acquired in satisfaction of claims at market value:**

| | | 2017 | 2016 |
|--|---|----------------------------|----------------|
| | | ----- Rupees in '000 ----- | |
| | As at January 01 | 175,808 | 182,455 |
| | Revaluation surplus arise during the year - net | 13,395 | 84,175 |
| | Additions during the year | 15,436 | 39,948 |
| | Deletions during the year | - | (129,648) |
| | Depreciation during the year | (1,300) | (1,122) |
| | | 203,339 | 175,808 |

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

14.5.1 Non-banking assets acquired in satisfaction of claims are carried at revalued amount according to the requirements of the 'Regulation for Debt Property Swap' (the regulations) issued by SBP vide the BPRD Circular No. 1 of 2016, dated January 01, 2016. Had there been no revaluation, the carrying value of non-banking assets acquired in satisfaction of claims would have been lower by Rs.97.241 million (2016: Rs.91.634 million), and surplus on revaluation of assets net, deferred tax liability and depreciation expense would have been lower by Rs.95.049 million (2016: Rs.84.175 million), Rs.2.192 million (2016: Rs.2.304 million) and Rs.0.329 million (2016: Rs.1.122 million) respectively.

| | 2017 | 2016 |
|----------------|----------------------------|---------------|
| | ----- Rupees in '000 ----- | |
| Leasehold Land | 88,640 | 73,206 |
| Building | 18,427 | 18,427 |
| | <u>107,067</u> | <u>91,633</u> |

14.5.2 This represents property acquired under satisfaction of claims against which non-performing loan was reduced and specific provision has been reversed by Rs.15.436 million (2016: Rs.39.948 million).

14.6 This represents, the advance given against subscription of the TFCs of the FINCA Microfinance Bank by agreement dated October 19, 2017 carrying interest at the rate of average of three months KIBOR + 1.5% p.a.

| | 2017 | 2016 |
|---|----------------------------|----------------|
| | ----- Rupees in '000 ----- | |
| 14.7 Provision held against other assets | | |
| Opening balance | 430,189 | 424,908 |
| Charged during the year | 44,806 | 7,714 |
| Reversed during the year | - | (2,433) |
| | <u>44,806</u> | <u>5,281</u> |
| Closing balance | <u>474,995</u> | <u>430,189</u> |

14.7.1 This represents receivable against insurance claim from a related party.

15. BILLS PAYABLE

| | | |
|------------------|------------------|------------------|
| In Pakistan | 3,669,463 | 2,539,715 |
| Outside Pakistan | 154,815 | 4,313 |
| | <u>3,824,278</u> | <u>2,544,028</u> |

16. BORROWINGS

| | | |
|------------------|-------------------|-------------------|
| In Pakistan | 59,291,448 | 8,152,229 |
| Outside Pakistan | 5,265,595 | 2,167,818 |
| | <u>64,557,043</u> | <u>10,320,047</u> |

16.1 Particulars of borrowings

| | | |
|-----------------------|-------------------|-------------------|
| In local currency | 59,291,448 | 8,152,229 |
| In foreign currencies | 5,265,595 | 2,167,818 |
| | <u>64,557,043</u> | <u>10,320,047</u> |

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

| 16.2 Details of borrowings from financial institutions | Note | 2017 ----- Rupees in '000 ----- | 2016 |
|--|--------|------------------------------------|------------|
| Secured | | | |
| Borrowings from State Bank of Pakistan under: | | | |
| Export refinancing scheme (ERF) | 16.2.1 | 10,970,007 | 5,962,976 |
| Long-Term Finance Facility (LTFF) | 16.2.2 | 1,390,366 | 735,734 |
| Financing Facility for Storage of Agricultural produce (FFSAP) | 16.2.3 | 69,365 | 40,845 |
| | | 12,429,738 | 6,739,555 |
| Repurchase agreement borrowings | 16.2.4 | 44,802,031 | 1,412,674 |
| Unsecured | | | |
| Call borrowings | 16.2.5 | 5,637,284 | 805,408 |
| Due against bills re-discounting | 16.2.6 | 1,488,994 | 1,321,882 |
| Overdrawn nostro accounts | | 198,996 | 40,528 |
| | | 7,325,274 | 2,167,818 |
| | | 64,557,043 | 10,320,047 |

- 16.2.1** The Bank has entered into agreement with the State Bank of Pakistan (SBP) for extending export finance to customers. As per the terms of the agreement, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of finances by directly debiting the current account maintained by the Bank with SBP. These borrowings are repayable on a quarterly basis and to be matured between January 09, 2018 and June 26, 2018. These carry mark-up at the rate from 1% to 2% (December 31, 2016: 2%) per annum.
- 16.2.2** These borrowings have been obtained from the SBP for providing financing facilities to exporters for adoption of new technologies and modernization of their plant and machinery. These borrowings will mature between August 25, 2019 and October 18, 2027 (2016: August 25, 2019 and December 31, 2026). These carry mark-up at rates ranging from 3.5% to 6% (2016: 3.5% to 6.0%) per annum.
- 16.2.3** These borrowings have been obtained from SBP under “Financing Facility for Storage of Agricultural Produce (FFSAP)” to encourage Private Sector to establish Silos, Warehouses and Cold Storages. These borrowings will mature between May 09, 2020 and July 31, 2024 and carry mark-up at the rate ranging between 2.00% to 2.50% (December 31, 2016: 3.5%) per annum.
- 16.2.4** This represents collateralised borrowing from various financial institutions against Market Treasury Bills, Pakistan Investment Bonds and Foreign Currency Bonds (2016: Treasury Bills) carrying mark-up at the rates ranging from 2.30% to 6.20% (2016: 5.6% to 5.75%) per annum and will mature between January 02, 2018 and March 20, 2018 (2016: January 03, 2017). The carrying value of securities given as collateral against these borrowings is given in note 11.1.
- 16.2.5** These represent call money borrowings from financial institutions which will mature between January 02, 2018 and January 29, 2018 (2016: January 05, 2017 and March 28, 2017), carrying interest at the rates ranging from 1.10% to 5.8% (2016: 1.80% to 2.76%) per annum.
- 16.2.6** This represents obligation to the foreign corresponding banks on the discounting of foreign documentary bills purchased by the Bank on discount. These will mature between January 19, 2018 to March 05, 2019 (2016: January 06, 2017 to March 14, 2017) and carry interest at the rates ranging from 1.65% to 4.22% (2016: 2.30% to 2.54%) per annum.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

17. DEPOSITS AND OTHER ACCOUNTS

| | Note | 2017 ----- Rupees in '000 ----- | 2016 |
|--|------|------------------------------------|--------------------|
| Customers | | | |
| Fixed deposits | | 131,902,422 | 101,194,427 |
| Savings deposits | | 47,266,416 | 35,751,988 |
| Current accounts - non-remunerative | | 70,197,106 | 49,123,501 |
| Margin accounts | | 3,967,204 | 4,185,137 |
| | | <u>253,333,148</u> | <u>190,255,053</u> |
| Financial Institutions | | | |
| Remunerative deposits | | 34,012,154 | 34,037,696 |
| Non-remunerative deposits | | 1,019,712 | 711,906 |
| | | <u>35,031,866</u> | <u>34,749,602</u> |
| | | <u>288,365,014</u> | <u>225,004,655</u> |
| 17.1 Particulars of deposits | | | |
| In local currency | | 275,209,678 | 214,339,799 |
| In foreign currencies | | 13,155,336 | 10,664,856 |
| | | <u>288,365,014</u> | <u>225,004,655</u> |
| 18. SUB-ORDINATED LOANS | | | |
| Term Finance Certificates - First Issue | 18.1 | 2,998,800 | 3,000,000 |
| Term Finance Certificates - Second Issue | 18.2 | 2,000,000 | - |
| | | <u>4,998,800</u> | <u>3,000,000</u> |

18.1 In 2016, the Bank has issued Rs.3 billion of rated, privately placed, unsecured and subordinated term finance certificates ("TFCs" or "the Issue") as an instrument of redeemable capital under Section 120 of the Companies Ordinance, 1984 and as outlined by State Bank of Pakistan, SBP, under the BPRD circular No. 06 dated August 15, 2013 and Basel III guidelines. Summary of terms and conditions of the Issue are:

Purpose: To contribute toward the Bank's Tier II Capital for complying with the Capital Adequacy Ratio requirement and to utilize the funds in the Bank's business operations as permitted by its Memorandum & Articles of Association.

Issue date: December 14, 2016

Tenor: Up to Seven years from the Issue date.

Maturity Date: December 14, 2023

Rating: A + (Single A Plus)

Profit Rate: Floating rate of return at Base rate + 1.4 percent per annum;

Base rate is defined as the average six months KIBOR prevailing on the Base Rate setting date. The Base Rate will be set for the first time on the last working day prior to the Issue Date and subsequently on the immediately preceding business day before the start of each six monthly period

Profit payment: Semi-annual

Notes to the Consolidated Financial Statements

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Redemption: The instrument is structured to redeem 0.24% of the Issue amount during the first six years after the Issue date and the remaining Issue amount of 99.76% in two equal semi-annual installments of 49.88% each in the last year.

Security: The Issue is unsecured and subordinated as to payment of Principal and profit to all other indebtedness of the Bank.

Call Option: Exercisable in part or in full on or after the 10th redemption, subject to SBP's approval.

18.2 During the current year, the Bank has issued Rs.2 billion of rated, over the counter listed, unsecured and subordinated term finance certificates ("TFCs" or "the Issue") as an instrument of redeemable capital under Section 66 of the Companies Act, 2017 and as outlined by State Bank of Pakistan, SBP, under the BPRD circular No. 06 dated August 15, 2013 and Basel III guidelines. Summary of terms and conditions of the Issue are:

Purpose: To contribute toward the Bank's Tier II Capital for complying with the capital adequacy requirement and to utilize the funds in the Bank's business operations as permitted by its Memorandum & Articles of Association.

Issue date December 29, 2017

Tenor: Up to Seven years from the Issue date.

Maturity Date: December 29, 2024

Rating A + (Single A Plus)

Profit Rate: Floating rate of return at Base rate + 1.4 percent per annum;

Base rate is defined as the average six months KIBOR prevailing on the Base Rate setting date. The Base Rate will be set for the first time on the last working day prior to the Issue Date and subsequently on the immediately preceding business day before the start of each six monthly period

Profit payment: Semi-annual

Redemption: The instrument is structured to redeem 0.24% of the Issue amount during the first six years after the Issue date and the remaining Issue amount of 99.76% in two equal semi-annual installments of 49.88% each in the last year.

Security: The Issue is unsecured and subordinated as to payment of Principal and profit to all other indebtedness of the Bank.

Call Option: Exercisable in part or in full on or after the 10th redemption, subject to SBP's approval.

19. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

| | 2017 | | | 2016 | | |
|---|----------------------------|--------------------------------------|-----------------------|-----------------------|--------------------------------------|-----------------------|
| | Minimum lease payment | Financial charges for future periods | Principal outstanding | Minimum lease payment | Financial charges for future periods | Principal outstanding |
| Note | ----- Rupees in '000 ----- | | | | | |
| Not later than one year | 1,837 | 313 | 1,524 | - | - | - |
| Later than one year and not later than five years | 3,785 | 277 | 3,508 | - | - | - |
| 19.1 | 5,622 | 590 | 5,032 | - | - | - |

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

19.1 The liability against asset subject to finance lease represents the lease entered with a Modaraba for vehicle for a related party. The periodic lease payments include rates of mark up of KIBOR 6M plus 1.5% with floor of 7.5% and ceiling of 20% (2016: Nil) per annum. JS Investments, the Company, shall subject to compliance with the conditions specified in the lease agreement, purchase the asset from the lessor. There are no financial restriction in the lease agreements.

20. DEFERRED TAX LIABILITIES - net

Deferred tax debits arising from:

| | 2017 | 2016 |
|--|----------------------------|----------------|
| | ----- Rupees in '000 ----- | |
| Unused tax losses | (48,043) | (30,541) |
| Provision against investments | (57,149) | (57,149) |
| Provision against other assets | (15,682) | - |
| Unrealised gain on revaluation of investment classified as held-for-trading | (620) | 215 |
| Surplus on revaluation of investment classified assets as available-for-sale | (46,941) | 656,497 |
| Provision against loans, advances and trade debts | (124,518) | (137,558) |
| Provision for donation | (197) | (1,222) |
| Provision for Workers' Welfare Fund | (46,332) | (45,935) |
| | (339,482) | 384,307 |

Deferred tax credits arising due to:

| | | |
|---|------------------|------------------|
| Operating fixed assets | 220,463 | 191,785 |
| Goodwill | 512,268 | 512,268 |
| Unrealised loss on derivative instruments | 25,227 | (7,782) |
| Surplus on revaluation of operating fixed assets | 266,274 | - |
| Surplus on revaluation of non-banking assets acquired in satisfaction of claims | 2,191 | 2,307 |
| | 1,026,423 | 698,578 |
| | 686,941 | 1,082,885 |

20.1 Movement in temporary differences during the year:

| | Balance as at January 01, 2016 | Recognised in profit and loss account | Recognised in equity | Balance as at December 31, 2016 | Recognised in profit and loss account | Recognised in equity | Balance as at December 31, 2017 |
|---|--------------------------------------|---|-------------------------|---------------------------------------|---|-------------------------|---------------------------------------|
| | ----- Rupees in '000 ----- | | | | | | |
| Deferred tax debits arising from: | | | | | | | |
| Unused tax losses | (9,532) | (21,009) | - | (30,541) | (17,502) | - | (48,043) |
| Provision against investments | (57,149) | - | - | (57,149) | - | - | (57,149) |
| Provision against other assets | - | - | - | - | (15,682) | - | (15,682) |
| Unrealised gain of revaluation of investment classified as held-for-trading | 3,809 | (3,594) | - | 215 | (835) | - | (620) |
| (Surplus) / deficit on revaluation of investment classified assets as available-for-sale | 1,306,843 | - | (650,346) | 656,497 | (262) | (703,176) | (46,941) |
| Provision against loans and trade debts | (213,679) | 76,121 | - | (137,558) | 13,040 | - | (124,518) |
| Provision for donation | (1,067) | (155) | - | (1,222) | 1,025 | - | (197) |
| Provision for Workers' Welfare Fund | (66,938) | 21,003 | - | (45,935) | (397) | - | (46,332) |
| | 962,287 | 72,366 | (650,346) | 384,307 | (20,613) | (703,176) | (339,482) |
| Deferred tax credits arising due to: | | | | | | | |
| Operating fixed assets | 162,221 | 29,564 | - | 191,785 | 28,678 | - | 220,463 |
| Goodwill | 461,110 | 51,158 | - | 512,268 | - | - | 512,268 |
| Unrealised loss on derivative instruments | (14,366) | 6,584 | - | (7,782) | 33,009 | - | 25,227 |
| Surplus on revaluation of operating fixed assets | - | - | - | - | (4,926) | 271,200 | 266,274 |
| Surplus on revaluation of non-banking assets acquired in satisfaction of claims | - | - | 2,307 | 2,307 | (116) | - | 2,191 |
| | 608,965 | 87,306 | 2,307 | 698,578 | 56,645 | 271,200 | 1,026,423 |
| | 1,571,252 | 159,672 | (648,039) | 1,082,885 | 36,032 | (431,976) | 686,941 |

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

| | Note | 2017 ----- Rupees in '000 ----- | 2016 |
|--|------|------------------------------------|------------------|
| 21. OTHER LIABILITIES | | | |
| Mark-up / return / interest payable in local currency | 21.1 | 2,121,637 | 1,416,897 |
| Mark-up / return / interest payable in foreign currency | | 47,076 | 16,445 |
| Accrued expenses | | 829,778 | 730,698 |
| Trade payable from brokerage business | 21.2 | 1,021,060 | 1,791,818 |
| Payable in respect of defined benefit plan | 37.5 | 175,118 | 118,308 |
| Unrealised loss on revaluation of derivative instruments | | - | 36,408 |
| Unclaimed dividends | | 11,043 | 10,753 |
| Donation payable | 31.2 | 32,657 | 71,874 |
| Lease key money deposit | | 3,320,317 | 1,877,773 |
| Provision for Workers' Welfare Fund | 21.3 | 342,377 | 304,594 |
| Government duties | | 225,819 | 212,980 |
| Payable against remittance | | 361,808 | 286,973 |
| Retention money payable | | 29,245 | 24,860 |
| Visa debit card payable | | 148,650 | 42,907 |
| Others | | 182,269 | 168,294 |
| | | 8,848,854 | 7,111,582 |

21.1 Included herein is a sum of Rs.72.114 million (2016: Rs.51.564 million) payable to related parties.

21.2 Included herein is a sum of Rs.10.306 million (2016: Rs.144.491 million) payable to related parties.

21.3 In 2016, the Honorable Supreme Court of Pakistan (SCP) passed a judgment on November 10, 2016, declaring the insertion of amendments introduced in the Finance Act, 2008 pertaining to WWF as unlawful for the reason that the WWF is not in the nature of tax and therefore, could not be introduced through money bill under the Constitution. The Federal Board of Revenue has filed a petition in the SCP against the said judgment, which is pending hearing.

In view of the above developments regarding the applicability of Federal WWF on the Group, the Pakistan Bankers' Association (PBA) sought a legal opinion to conclude on the reversal of Federal WWF provision. However, based on legal advice, the Group has decided to retain the provision for WWF in the financial statements.

Further, as a consequence of the 18th amendment to the Constitution, levy for the WWF was also introduced by the Government of Sindh through the Sindh WWF Act, 2014. As per Sindh WWF Act, 2014, the Group is liable to pay SWWF. The Group has challenged issue of jurisdiction before the Honorable High Court of Sindh (the Court) through Constitutional Petition 1546/2017. The Court has restrained the Sindh Revenue Board to collect / recover Sindh Worker Welfare Fund till the next date of hearing. However, on a prudent basis, the Group has recognised full provision in the financial statements in respect of Sindh WWF.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

22. SHARE CAPITAL

22.1 Authorised capital

| 2017 | 2016 | | Note | 2017 | 2016 |
|----------------------|----------------------|-------------------------------|--------|----------------------------|-------------------|
| Number of shares | | | | ----- Rupees in '000 ----- | |
| <u>1,850,000,000</u> | <u>1,350,000,000</u> | Ordinary shares of Rs.10 each | 22.1.1 | <u>18,500,000</u> | <u>13,500,000</u> |

22.1.1 During the year after having SBP approval, the shareholders of the Bank in their Annual General Meeting held on March 29, 2017 increased its authorised capital by Rs.5 billion, divided into 500 million shares of Rs.10 each.

22.2 Issued, subscribed and paid-up capital

| | | | | | |
|----------------------|----------------------|--|--|-------------------|-------------------|
| <u>538,558,965</u> | 538,558,965 | Issued for cash | | <u>5,385,590</u> | 5,385,590 |
| <u>533,905,297</u> | 533,905,297 | Issued for consideration other than cash | | <u>5,339,053</u> | 5,339,053 |
| <u>1,072,464,262</u> | <u>1,072,464,262</u> | | | <u>10,724,643</u> | <u>10,724,643</u> |

22.3 As at December 31, 2017, Jahangir Siddiqui & Co. Ltd. (the parent company) held 755,245,007 ordinary shares of Rs.10 each (70.42% holding).

23. PREFERENCE SHARES

23.1 Authorised capital

| 2017 | 2016 | | Note | 2017 | 2016 |
|--------------------|--------------------|---|------|----------------------------|------------------|
| Number of shares | | | | ----- Rupees in '000 ----- | |
| <u>150,000,000</u> | <u>150,000,000</u> | Convertible preference shares of Rs.10 each | 23.2 | <u>1,500,000</u> | <u>1,500,000</u> |

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

| | |
|-------------------|---|
| Instrument: | Un-listed, convertible, irredeemable, perpetual, non-cumulative, non-voting preference shares. |
| Issue Price: | Issued at par value of Rs.10 per share. |
| Tenure: | Four years from the date of issuance of preference shares i.e. February 18, 2018. |
| Conversion ratio: | For every one preference share, 1.5 ordinary shares will be issued i.e. 1:1.5. |
| Dividend: | Non-cumulative at the fixed rate of 12% per annum. No compensation would be available to the preference shareholders other than the agreed return i.e. 12% p.a. which will be paid in the form of cash dividend. The distribution of dividend is not obligatory and will be allowed only if the Bank has earned sufficient profit in the current year to pay dividend and is in compliance with all the regulatory capital (MCR and CAR) and provisioning requirements. |

23.3 As at December 31, 2017, Jahangir Siddiqui & Co. Ltd. (the parent company) held 145,374,878 preference shares of Rs.10 each (96.92% holding).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

| | 2017 | 2016 |
|---|----------------------------|------------------|
| Note | ----- Rupees in '000 ----- | |
| 24. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - net of tax | | |
| Available-for-sale securities | 24.1 329,226 | 1,934,159 |
| Operating fixed assets | 24.2 656,598 | - |
| Non-banking assets acquired in satisfaction of claims | 24.3 95,050 | 81,868 |
| | 24.4 <u>1,080,874</u> | <u>2,016,027</u> |
| 24.1 Available-for-sale securities: | | |
| Government securities | (542,648) | 48,729 |
| Ordinary shares - listed | 397,799 | 1,664,750 |
| Foreign currency bonds | 50,657 | 44,675 |
| Open end mutual funds | 376,739 | 832,502 |
| | <u>282,547</u> | <u>2,590,656</u> |
| Related deferred tax asset / (liability) | 46,679 | (656,497) |
| | <u>329,226</u> | <u>1,934,159</u> |
| 24.2 Operating fixed assets | | |
| Surplus on revaluation of assets recognised during the year | 938,706 | - |
| Less: Transferred to unappropriated profit: | | |
| Incremental depreciation during the year | (10,904) | - |
| Related deferred tax liability | (4,931) | - |
| | <u>(15,835)</u> | <u>-</u> |
| | 922,871 | - |
| Less: Related deferred tax liability on: | | |
| Surplus arised during the year | (271,204) | - |
| Transferred to profit and loss account on account of incremental depreciation | 4,931 | - |
| | <u>(266,273)</u> | <u>-</u> |
| | <u>656,598</u> | <u>-</u> |
| 24.3 Non-banking assets acquired In satisfaction of claims | | |
| Surplus on revaluation as at January 01, | 84,175 | - |
| Surplus on revaluation recognised during the year | 13,396 | 84,175 |
| | 97,571 | 84,175 |
| Less: Transferred to unappropriated profit: | | |
| Incremental depreciation during the year | (214) | - |
| Related deferred tax liability | (115) | - |
| | <u>(329)</u> | <u>-</u> |
| | 97,242 | 84,175 |
| Less: Related deferred tax liability on: | | |
| Surplus arised during the year | (2,307) | (2,307) |
| Transferred to profit and loss account on account of incremental depreciation | 115 | - |
| | <u>(2,192)</u> | <u>(2,307)</u> |
| | <u>95,050</u> | <u>81,868</u> |

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

| | 2017 | 2016 |
|--|----------------------------|-------------------|
| | ----- Rupees in '000 ----- | |
| 24.4 | | |
| Group's share | 875,647 | 1,739,674 |
| Non-controlling interest | 205,227 | 276,353 |
| | <u>1,080,874</u> | <u>2,016,027</u> |
| 25. CONTINGENCIES AND COMMITMENTS | | |
| 25.1 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 | 31,008,823 | 18,055,350 |
| ii) Banking companies and other financial institutions | 5,532,988 | 2,777,027 |
| iii) Others | 8,477,789 | 6,673,175 |
| | <u>45,019,600</u> | <u>27,505,552</u> |
| 25.1.1 | | |
| Included herein the outstanding guarantees of Rs.31.454 million (2016: Rs.17.140 million) of related parties. | | |
| 25.2 Trade-related contingent liabilities | | |
| Documentary credits | <u>21,558,098</u> | <u>20,505,270</u> |
| 25.2.1 | | |
| Included herein the outstanding letter of credits of Rs.44.016 million (2016: Rs.2,194.048 million) of related parties. | | |
| 25.3 | | |
| Tax related contingencies are disclosed in notes 33.2 to 33.4. | | |
| 25.4 Commitments in respect of forward lending | | |
| Forward commitments to extend credit | <u>21,398,301</u> | <u>234,062</u> |
| 25.4.1 | | |
| Included herein the commitment of Rs.Nil (2016: Rs.170 million) of related parties. | | |
| 25.5 Other commitments | | |
| Commitment in respect of capital expenditure | <u>94,975</u> | <u>59,876</u> |
| 25.6 Commitments in respect of derivative instruments | | |
| 25.6.1 Forward exchange contracts | | |
| Purchase | <u>6,689,099</u> | <u>9,872,524</u> |
| Sale | <u>4,960,361</u> | <u>10,004,614</u> |

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

The Holding company utilises foreign exchange instruments to meet the needs 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.

| | 2017 | 2016 |
|---|----------------------------|-----------|
| | ----- Rupees in '000 ----- | |
| 25.6.2 Forward government and equity securities | | |
| Purchase | 1,496,072 | 3,989,680 |
| Sale | 439,443 | 5,749,329 |
| 25.6.3 Cross currency swaps (notional principal) | 4,223,400 | 1,753,050 |
| 25.6.4 Options (notional principal) | 2,421,402 | - |
| 25.7 Bank Guarantee from a commercial Bank in favor of National Clearing Company of Pakistan Limited | 400,000 | - |
| 25.8 Outstanding settlements against margin financing contracts - net | 4,529 | (180,189) |
| 25.9 DERIVATIVE INSTRUMENTS | | |

Derivative instruments, such as Forward Rate Agreement, Interest Rate Swaps, Cross Currency Swaps and Options, are forward transactions that provide market making opportunities / hedge against the adverse movement of interest and exchange rates. Derivatives business also provides risk solutions for the existing and potential customers of the Bank.

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

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

The Group has also entered into Foreign Currency & Commodity Options from its Wholesale Banking Branch Bahrain for market making activities. The policy guidelines for taking derivative exposures are approved by the Board of Directors (BOD). Bank's Asset & Liability Committee (ALCO) is responsible for reviewing and managing associated risks of the transactions.

The transactions mainly carries credit risk (in the form of settlement & pre-settlement risk), market & liquidity risk and are managed by Treasury and monitored by Market Risk / Treasury Middle Office in line with Board of Directors approved limit framework. The Group can hedge its risk by taking on & off balance sheet position in interbank market, where available.

Accounting policies in respect of derivative financials instruments are described in note 7.5.2.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

25.9.1 Product Analysis

| Counterparties | Derivative Products | 2017 | | | 2016 | | |
|---------------------------|-------------------------|-------------------------|--------------------|----------------|-------------------------|--------------------|-----------------|
| | | Number of contracts | Notional principal | Mark to market | Number of contracts | Notional principal | Mark to market |
| | | ----- Rupees '000 ----- | | | ----- Rupees '000 ----- | | |
| With Banks and FIs | | | | | | | |
| Hedging | Cross currency swaps | 8 | 4,223,400 | 6,118 | 6 | 1,753,050 | 5,832 |
| Market making | Options | 18 | 2,421,402 | 4,874 | - | - | - |
| Market making | Forward rate agreements | 197 | 11,649,458 | 61,523 | 277 | 19,877,138 | (28,399) |
| Market making | Forward securities | 15 | 1,935,515 | 2,072 | 2 | 8,988,080 | 332 |
| | | 238 | 20,229,775 | 74,587 | 285 | 30,618,268 | (22,235) |

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

25.9.2 Maturity Analysis

| Remaining maturity of contracts | 2017 | | | | |
|---------------------------------|---------------------|--------------------|----------------|------------------|---------------|
| | Number of contracts | Notional principal | Mark to market | | |
| | | | Positive | Negative | Net |
| ----- Rupees '000 ----- | | | | | |
| Upto 1 month | 114 | 9,398,052 | 115,311 | (75,269) | 40,042 |
| 1 to 3 months | 56 | 2,537,559 | 10,865 | (26,079) | (15,214) |
| 3 to 6 months | 37 | 1,253,820 | 31,561 | (1,977) | 29,584 |
| 6 month to 1 years | 25 | 3,026,643 | 25,272 | (11,063) | 14,209 |
| 1 to 2 years | 2 | 831,200 | 32,563 | (30,458) | 2,105 |
| 2 to 3 years | - | - | - | - | - |
| 3 to 5 years | 4 | 3,182,500 | 96,426 | (92,565) | 3,861 |
| 5 to 10 years | - | - | - | - | - |
| Above 10 years | - | - | - | - | - |
| | 238 | 20,229,774 | 311,998 | (237,411) | 74,587 |

| Remaining maturity of contracts | 2016 | | | | |
|---------------------------------|---------------------|--------------------|----------------|------------------|-----------------|
| | Number of contracts | Notional principal | Mark to market | | |
| | | | Positive | Negative | Net |
| ----- Rupees '000 ----- | | | | | |
| Upto 1 month | 110 | 23,375,701 | 36,140 | (34,574) | 1,566 |
| 1 to 3 months | 74 | 4,439,924 | 5,914 | (32,416) | (26,502) |
| 3 to 6 months | 67 | 895,151 | 102 | (3,857) | (3,755) |
| 6 month to 1 year | 30 | 658,792 | 5,675 | (3,624) | 2,051 |
| 1 to 2 year | 2 | 209,700 | 13,859 | (13,589) | 270 |
| 2 to 3 years | 2 | 1,039,000 | 59,989 | (55,849) | 4,140 |
| 3 to 5 years | - | - | - | - | - |
| 5 to 10 years | - | - | - | - | - |
| Above 10 years | - | - | - | - | - |
| | 285 | 30,618,268 | 121,679 | (143,909) | (22,230) |

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

| | 2017 | 2016 |
|--|----------------------------|-------------------|
| Note | ----- Rupees in '000 ----- | |
| 26. MARK-UP / RETURN / INTEREST EARNED | | |
| On loans and advances | 10,106,910 | 6,315,527 |
| On investments in: | | |
| Held-for-trading securities | 1,514,829 | 921,032 |
| Available-for-sale securities | 7,411,911 | 7,842,123 |
| Held-to-maturity securities | 1,194,135 | - |
| | 10,120,875 | 8,763,155 |
| On lendings to financial institutions | 78,244 | 19,901 |
| On deposits with financial institutions | 6,968 | (12,018) |
| On securities purchased under resale agreements | 174,219 | 83,329 |
| | 20,487,216 | 15,169,894 |
| 27. MARK-UP / RETURN / INTEREST EXPENSED | | |
| Deposits | 11,672,611 | 7,455,820 |
| Securities sold under repurchase agreements | 1,734,670 | 1,504,055 |
| Export refinancing scheme (ERF) | 140,359 | 125,424 |
| Long-Term Finance Facility (LTFF) | 24,727 | 2,967 |
| Financing Facility for Storage of Agricultural produce (FFSAP) | 1,897 | 1,000 |
| Sub-ordinated Loans | 227,917 | 11,110 |
| Borrowings | 275,561 | 177,858 |
| | 14,077,742 | 9,278,234 |
| 28. FEE, COMMISSION AND BROKERAGE INCOME | | |
| Advisory fee | 463,415 | 182,733 |
| Brokerage income | 523,139 | 474,031 |
| Trustee fee | 5,713 | 5,471 |
| Management fee | 212,356 | 160,982 |
| Other fees, commission and charges | 1,661,911 | 1,260,215 |
| 28.1 | 2,866,534 | 2,083,432 |

28.1 This includes Rs.33.462 million (2016: Rs.31.580 million) in respect of commission income from home remittance services provided by the Bank. The amount is receivable from State Bank of Pakistan at the rate of Saudi Riyal 20 (2016: Saudi Riyal 20) per transaction over USD 200 (2016: USD 200) and is shared between the Bank and various exchange companies as per terms of agreement with them.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

| | 2017 | 2016 |
|---|----------------------------|------------------|
| Note | ----- Rupees in '000 ----- | |
| 29. GAIN ON SALE OF SECURITIES - NET | | |
| Federal government securities | | |
| - Market treasury bills | 6,681 | 9,928 |
| - Pakistan investment bonds | 134,656 | 2,761,234 |
| - Ijara sukuk certificates | 2,074 | 699 |
| Ordinary shares - listed | 319,239 | 195,821 |
| Ordinary shares - unlisted | 652,889 | - |
| Term finance certificates | 15,295 | 10,535 |
| Foreign currency bonds | 187,795 | 7,878 |
| Mutual fund units | 57,812 | 200,355 |
| | 1,376,441 | 3,186,450 |

29.1 This includes gain arised of Rs. 10 million (2016: Rs. Nil million) on sale of Term Finance Certificate of related parties.

29.2 This includes gain arised of Rs. 61.414 million (2016: Rs. 188.597 million) on sale of units of related parties.

| | 2017 | 2016 |
|---|----------------------------|-----------------|
| | ----- Rupees in '000 ----- | |
| 30. OTHER INCOME - NET | | |
| Gain on sale of fixed assets | 76,156 | 42,657 |
| Gain on recovery of non banking assets | - | 152 |
| Rental income from properties | 15,813 | 17,876 |
| Others | 9,237 | 15,053 |
| | 101,206 | 75,738 |
| Income from derivative instruments | | |
| Realised | | |
| Equity futures | 2,509 | (14,173) |
| Forward rate agreements | 27,685 | 51,654 |
| | 30,194 | 37,481 |
| Unrealised | | |
| Cross currency swaps | 66 | (4,561) |
| Currency options | 4,874 | - |
| Forward rate agreements | 61,524 | (28,399) |
| Forward securities | (438) | 332 |
| | 66,026 | (32,628) |
| | 96,220 | 4,853 |
| | 197,426 | 80,591 |

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

| | Note | 2017 | 2016 |
|---|------|----------------------------|------------------|
| | | ----- Rupees in '000 ----- | |
| 31. ADMINISTRATIVE EXPENSES | | | |
| Salaries, wages, allowances, etc. | | 3,929,604 | 2,990,432 |
| Charge for defined benefit plan - net | 37.5 | 89,576 | 61,317 |
| Contribution to defined contribution plan | | 157,299 | 116,682 |
| Non-executive directors' fee, allowances and other expenses | | 15,475 | 16,101 |
| Contractor wages | | 457,138 | 354,760 |
| Brokerage, fee and commission | | 66,667 | 48,972 |
| Royalty | 31.1 | 20,000 | 20,000 |
| Rent, taxes, insurance, electricity, etc. | | 1,447,088 | 1,130,382 |
| Legal and professional charges | | 74,209 | 196,631 |
| Donations | 31.2 | 32,857 | 71,874 |
| Communication | | 129,383 | 160,354 |
| Ijarah rentals | | 287 | - |
| Repairs and maintenance | | 605,842 | 527,916 |
| Travel, conveyance and other related expenses | | 116,298 | 97,084 |
| Stationery and printing | | 188,931 | 143,086 |
| Advertisement and publicity | | 324,102 | 327,733 |
| Postage and courier service | | 61,032 | 45,389 |
| Stamp duty | | 13,066 | 16,548 |
| CDC and other charges | | 24,958 | 11,900 |
| Bank charges and clearing house charges | | 133,972 | 89,826 |
| Consultancy fee | | 69,720 | 74,463 |
| Security services charges | | 291,247 | 239,551 |
| Fees and subscription | | 91,922 | 60,440 |
| Auditors' remuneration | 31.3 | 14,649 | 10,679 |
| Depreciation | 13.2 | 643,503 | 551,223 |
| Depreciation on non banking assets | 14.5 | 1,300 | 1,122 |
| Amortisation of intangible assets | 13.3 | 64,242 | 53,942 |
| Staff training | | 49,925 | 13,466 |
| Entertainment expenses | | 44,246 | 40,002 |
| Outsourced services | | 6,487 | 8,433 |
| Others | | 43,707 | 29,794 |
| | | 9,208,732 | 7,510,102 |

31.1 Royalty represents amounts payable to Mr. Jahangir Siddiqui on account of use of name in the subsidiaries of the Bank.

31.2 This includes donation to Future Trust, wherein Mr. Kalim-ur-Rehman, the director of the holding company and Mr. Suleman Lalani, the Chief Executive Officer of Jahangir Siddiqui & Co. Ltd, the parent company of the Group, are trustees. The registered office of the donee is located at 7th Floor, The Forum, Block 9, Clifton, Karachi.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

| | Note | 2017 | 2016 |
|--|-------------|----------------------------|--------------------|
| | | ----- Rupees in '000 ----- | |
| 31.3 Auditors' remuneration | | | |
| Audit fee - Pakistan | | 2,970 | 2,783 |
| Audit fee - Bahrain | | 2,030 | - |
| Half-yearly review | | 980 | 900 |
| Special certification and sundry advisory services | | 6,587 | 5,129 |
| Taxation services | | 190 | 190 |
| Out of pocket expenses and sales tax on services | | 1,892 | 1,677 |
| | 31.3.1 | <u>14,649</u> | <u>10,679</u> |
| 31.3.1 Geographical analysis | | | |
| Pakistan | | 10,664 | 10,679 |
| Bahrain | | 3,985 | - |
| | | <u>14,649</u> | <u>10,679</u> |
| 32. OTHER CHARGES | | | |
| Penalties imposed by State Bank of Pakistan | | 12,833 | 31,030 |
| Provision for Workers' Welfare Fund and Sindh WWF | 21.3 & 32.1 | 37,831 | 77,023 |
| Others | | 497 | 370 |
| | | <u>51,161</u> | <u>108,423</u> |
| 32.1 | | | |
| Provision held at 2% of the higher of profit before tax or taxable income under Sindh Workers' Welfare Act, 2014. | | | |
| 33. TAXATION | | | |
| 33.1 Relationship between income tax expense and accounting profit | | | |
| Profit before taxation | | <u>1,862,677</u> | <u>3,854,122</u> |
| Tax on income | | (646,811) | (1,330,252) |
| Effect of permanent differences | | (91,253) | (37,173) |
| Tax effect of income charged at reduce rate | | 34,637 | 15,921 |
| Tax effect of exempt income | | 23,436 | 63,164 |
| Effect of prior year deferred taxation | | 37,758 | 12,885 |
| Effect of prior year current taxation | | (148,845) | (117,371) |
| Others | | (4,713) | (2,662) |
| | 33.1.1 | <u>(795,791)</u> | <u>(1,395,488)</u> |
| 33.1.1 | | | |
| The Group has recognised taxation impact on the basis of deemed tax return to be file on applicable tax rate with tax authorities, which are as follows: | | | |
| | | Tax Rate | |
| | | 2017 | 2016 |
| JS Bank Limited | | 35% | 35% |
| JS Investments Limited | | 30% | 31% |
| JS Global Capital Limited | | 30% | 31% |
| JS ABAMCO Commodities limited | | 30% | 31% |

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

33.2 JS Bank Limited (Holding Company, the Bank)

33.2.1 Income tax

The Bank has filed income tax returns under Section 114 of the Income Tax Ordinance, 2001 for the tax years 2008 through 2017. The said returns so filed were deemed to have been assessed in terms of the returns filed under the provisions of prevailing income tax laws as applicable in Pakistan. However, the Officers of Inland Revenue Services (OIR) conducted the proceedings for making certain amendments in the deemed assessments for tax years 2008 to 2015. This was done by taking recourse of conducting tax audit or alternatively a direct amendment in the assessment contending that certain matters in the deemed assessments were not admissible as not conforming to the law and prejudiced the interest of revenue.

Based on the amended assessments in tax year 2008 to tax year 2014, the department has made certain dis-allowances of expenses and tax deductible claims besides creating minimum tax and Workers' Welfare Fund liabilities in the tax years 2010 & 2011 and tax years 2009 & 2012 respectively.

In respect of WWF, the Supreme Court of Pakistan has held that the amendments in the WWF Ordinance through Finance Act, 2006 and 2008 were not validly made. Accordingly, as of now the Bank's contention is mandated and it is likely that its pending appeals in this will be decided favorably. As a consequence of introduction of Sindh Workers' Welfare Fund Act, the Bank is required to pay WWF to Sindh Revenue Board effective from tax year 2015. The Bank has filed petition before the High Court of Sindh to contest applicability of SWWF in its case who has granted stay against recovery of SWWF from the Bank.

For tax year 2008, CIRA has admitted the contention of the Bank that the amended order is barred by time and decided that any addition made in impugned order is annulled and not required to be further adjudicated. However, the department has filed an appeal against the decision of CIRA in ATIR where it is pending for hearing and decision.

For tax year 2009-2015, the Bank has not accepted the amendments and have filed appeals before the Commissioner Inland Revenue-Appeals (the CIRA). With regard to appeals filed for tax year 2009 to 2014, the CIRA has decided the appeals accepting the Bank's contentions in respect of significant issues. Whereas, the contentious matter of levy of workers welfare fund and disallowance of amortization claim of goodwill have been decided in favor of department. However, the Bank is contesting the matters in further appeals before Appellate Tribunal Inland Revenue (ATIR) which are pending for hearing. Appeal for tax year 2015 is filed before CIRA subsequent to year end, where it is pending for hearing and decision.

Further for the tax year 2013, the ATIR has decided appeal filed by tax department in respect of calculating the amount of provisions against advances as allowable under Rule 1(c) of Seventh Schedule to the Income Tax Ordinance, 2001 and has maintained the CIRA decision that the allowability of provision for advances to be calculated at 1% of gross amount of advances as against the tax department contention that the same is to be calculated on net advances after deducting the amount of provisions created and allowed against advances.

The matter of allowability of amortization relating to goodwill is contentious issue, therefore based on the opinion of lawyer there are arguments available to contend that goodwill on merger is a tax claimable deduction. Especially in the recent decision given by the High Court of Sindh in the case of merger of other bank in Pakistan where the court has ruled favorably that goodwill generated in merger is 'intangible' and amortization relating to goodwill is allowable deduction.

The management of Bank is confident that the appeals filed on various forums in respect of the above matters will be decided in the Bank's favor and accordingly no demand for payment would arise.

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For the year ended December 31, 2017

33.2.2 Withholding tax monitoring

Withholding tax monitoring was initiated against the Bank for tax year 2015 and an order has been passed against which appeal is filed before CIRA which is pending for hearing.

33.2.3 Sales Tax

The Bank as a registered person under Sindh Sales Tax on Services Act, 2011 has been issued a Sales Tax Order from the Sindh Revenue Board (SRB) creating a demand of Rs.48.838 million (besides Rs.4.440 million is charged as penalty) against the Bank for allegedly non-payment of Sindh sales tax on certain 'presumed non-taxable services / incomes' amounting to Rs.277.488 million for the tax periods from July 2011 to December 2013. The issue is common amongst the banking industry. An appeal was filed by the Bank before Commissioner SRB (Appeals) which has been decided in favor of the tax department except tax imposed on FX gain on Western Union remittance. The Bank and tax department have filed appeals before Appellate Tribunal which are pending for hearing.

The management of Bank is confident that the appeals filed in respect of the above matter will be decided in the Bank's favor and accordingly no demand for payment would arise.

33.2.4 Azad Jammu & Kashmir Operations

The Bank has commenced operations in Azad Jammu & Kashmir from tax year 2009 and has filed returns for the tax years 2009 to 2017 with the tax authorities of such region. The Commissioner has issued notices for amendment of assessment under section 122 of the Income Tax Ordinance, 2001 (as adopted in AJK Region) for the tax year 2011 to 2016. All assessments orders are rectified and no additional demand has been raised.

33.3 JS Global Capital Limited (Subsidiary, the Company)

33.3.1 Except for tax year 2009, 2014, 2015, 2016 and 2017 income tax assessments have been filed and are deemed to have been assessed under the Income Tax Ordinance, 2001 (the Ordinance) unless selected by taxation authorities for audit purposes.

For tax year 2009, an ITRA no. 07/2013 was filed by the Commissioner Inland Revenue against an order passed by the Learned Appellate Tribunal Inland Revenue (ATIR) in ITA no. 923/KB/2011 dated August 28, 2012 which was related to the apportionment of expenses, allowability of expenses and claiming of tax deducted at source aggregating to Rs. 61.16 million. However, the same is pending for decision before the Sindh High Court (SHC).

For tax year 2014, an amended assessment order dated April 28, 2016, has been passed under section 122 (5A) of the Ordinance by the Additional Commissioner Inland Revenue (ACIR). Through said order, the ACIR raised demand amounting to Rs. 20.081 million. The Company has filed rectification application identifying various errors / details not considered by the ACIR and requested ACIR to rectify the same. In addition to that, the Company has also filed an appeal to the Commissioner Inland Revenue Appeals (CIRA) which is pending. The Company has also obtained stay against recovery of demand from SHC till the decision of CIRA.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

For tax year 2015, an order dated November 23, 2016 was passed under section 4B of the Ordinance by the Deputy Commissioner Inland Revenue (DCIR). Through said order, an income of Rs.810.584 million was computed under section 4B of the Ordinance and resultant demand of super tax of Rs. 24.318 million was raised. An appeal was filed against the above order before CIR-A on December 01, 2016 identifying various errors / details not considered. The CIR-A, has confirmed DCIR's order vide his order dated May 30, 2017. In pursuance of the order of CIR-A, the Company has filed appeal before ATIR along with application for stay against recovery of demand. The appeal before ATIR has been heard and order is reserved whilst ATIR vide order dated July 18, 2017 has granted stay for 60 days and subsequently the said stay was further extended vide various orders by the ATIR until February 14, 2018.

For tax year 2016 and 2017, notices dated December 27, 2016 and January 03, 2018 were issued under section 4B of the Ordinance by the DCIR. In the said notices the DCIR has contended that the Company is liable to pay Super Tax amounting to Rs.24.483 million and Rs.19.490 million on 'income' of Rs.816.122 million and Rs.649.676 million for Tax Years 2016 and 2017 respectively. The Company has challenged both notices through writ petition before SHC on constitutional grounds wherein the SHC has, vide its orders dated January 16, 2017 and January 11, 2018 for Tax Years 2016 and 2017 respectively, has stated that no coercive action shall be taken against the Company.

Further, amended assessment order, has been passed under section 122(5A) of the Ordinance by the Additional Commissioner Inland Revenue (ACIR) for the tax year 2016. Through the said order, the ACIR raised demand amounting to Rs.241.217 million. The CIR-A confirmed the ACIR's order vide order dated December 12, 2017. In pursuance of the order of CIR-A, the Company has filed appeal before ATIR which is pending for hearing. However, the recovery of aforesaid tax demands has been stayed by SHC vide order dated December 26, 2017.

33.3.2 Sales Tax

During 2013, the Company received a show cause notice from the Sindh Revenue Board (SRB) demanding payment of sales tax amounting to Rs.19.65 million for fiscal year 2012, under section 47 of the Sindh Sales Tax on Services Act, 2011. Subsequently an order was passed reducing the demand to Rs.9.86 million along with default surcharge. The Company filed an appeal before the CIR-A and after being decided against the Company, it subsequently filed an appeal before Appellate Tribunal SRB. During the year 2014, the Company paid an amount of Rs.7.15 million in respect of the abovementioned liability before June 25, 2014 under the notification SRB 3-4/8/2014 to avail the exemption from application of penalty and 75% of default surcharge. However, during the year Appellate Tribunal SRB vide order dated November 29, 2017 has decided the issue of Sindh Sales Tax (SST) in favor of the Company. However, the issue of SST on advisory and consultancy services and commission earned on purchase/sale of mutual funds have been remanded back whilst the issue relating to SST on commission on foreign exchange dealing , services rendered outside Sindh and levy of default surcharge and penalty have been decided against the Company. The Company has filed a reference application before SHC in respect of the issues decided against the Company and remanded back.

During 2014, the Company also received another show cause notice from SRB demanding payment of sales tax amounting to Rs.34.69 million for fiscal year 2013 under section 47 of the Sindh Sales Tax on Services Act, 2011. Subsequently, an order was passed reducing demand to Rs.10.77 million. The Company has filed an appeal against the order with CIR-A which is pending. Further, in respect of the same, rectification application has also been filed with the department. The Company and other stock brokers have also filed petition with the SHC and has been granted interim stay against recovery of demand. However, the Company has paid an amount of Rs.9.24 million before June 25, 2014 under the notification SRB 3-4/8/2014 to avail the exemption of penalty and 75% of default surcharge. It is expected that CIR-A will follow the abovementioned decision of Appellate Tribunal SRB while disposing the appeal.

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Furthermore, for fiscal year 2014 and 2015, SRB alleged short payment of SST vide notice dated February 02, 2017. The Company has submitted all the required details in response to the notice and no order in this respect has been passed.

33.3.3 Federal Excise Duty (FED)

Tax department has issued show cause notice dated June 08, 2015 confronting (alleged) non payment of Federal Excise Duty (FED) on Company's services under Federal Excise Act, 2005. In response thereto, an extension request was filed. The department however issued order without rejecting the application and raised FED demand of Rs.78.003 million on account of non-payment of Federal Excise Duty (FED) for tax year 2010 to tax year 2013. The Company filed a rectification appeal amounting to Rs.55.3 million against the said order on account of certain computational errors as the remaining demand of Rs.22.526 million represented duplicate levy which the Company had already paid as SST under Sindh Sales Tax on Services Act, 2011 on such services. The Company has also filed an appeal in the SHC, through Stockbroker Association (of which the Company is also the member) against aforementioned order on the grounds that after 18th amendment to the Constitution, the services that were previously subjected to FED under the federal laws are now subject to the provincial sales tax and the Company has accordingly discharged its tax obligation. The SHC initially, stayed Federal Board of Revenue from demanding sales tax on services from stockbrokers and subsequently, disposed of the order in Company's favor. However, during the year an appeal filed before CIR-A against the said order by the relevant tax authorities was adjudicated in their favor vide order dated January 31, 2017. In pursuance of the order of CIR-A the Company has filed an appeal before Appellate Tribunal SRB along with application for stay of demand which was granted initially for 30 days and was subsequently extended vide various orders.

33.4 JS Investments Limited (Subsidiary, the Company)

33.4.1 In respect of the appeals filed by the Company before Commissioner Inland Revenue (Appeals) [CIR (Appeals)] against orders passed for tax years 2006 and 2009 against demand of Rs.162 million and 66 million respectively, the CIR (Appeals) had not accepted the basis of additions by tax authorities and set aside both the orders in respect of allocation of expenses between various sources of income for fresh proceedings with the directions to apportion the common expenditure according to actual incurrence of expenditure to the various sources of income.

In respect of above said order of CIR (Appeals) for tax year 2006 and 2009, the Company filed second appeal before the Appellate Tribunal Inland Revenue (ATIR) in respect of apportionment of expenses. The ATIR vide order dated April 20, 2017 deleted the additions on proration of expenses for tax year 2006 however, confirmed the CIR(A)'s order whereby CIR(A) remanded back / set-aside the issue of apportionment of expenses.

The Appellate Tribunal Inland Revenue vide order dated May 21, 2016 was deleted the additions of tax amortization of management rights and remand back the issues of disallowed provisions and advertisement expenses for the tax year 2009.

The tax authorities issued orders giving effect (hereinafter referred collectively as 'appeal effect orders') to the order of CIR (Appeals) for both tax year 2006 and 2009 whereby demands for these tax years were reduced at Rs.77.33 million and Rs.59.93 million respectively. As the allocation of expenditure in the said appeal effect orders were not made according to actual incurrence of expenditure to the various sources of income, therefore, the Company again filed appeals before the CIR (Appeals) against the said orders.

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In respect of second appeal filed by the Company before CIR (Appeals) against appeal effect orders for tax year 2006 and 2009, the CIR (Appeals) for tax year 2006 confirmed apportionment of expenditure made by the tax authorities in appeal effect order, however, adjustment of allowable expenses were set aside. For tax year 2009, CIR (Appeals) had set aside the appeal effect order in entirety for fresh assessment, which is yet to be made by tax authorities.

The CIR (Appeals) also rectified the order passed by his predecessor for tax Year 2006, whereby the addition regarding the portion of capital gain included in dividend received from mutual funds was held deleted. Resulted appeal effect order reflects refund of Rs.29 million. The tax authorities have filed an appeal before ATIR against said order of CIR (Appeals) in respect of deletion of addition regarding the portion of capital gain included in dividend. The ATIR vide order dated December 07, 2016 set-aside with the direction that the ACIR should examine the issue in the light of FBR Circular letter dated September 10, 2002.

In respect of tax year 2006, management contends, based on views of its tax advisor, that amendment of assessment for such tax year by tax authorities is time barred. Accordingly, the Company has filed an appeal before the Appellate Tribunal Inland Revenue. The ATIR of the view that the amendment of assessment is not time bared however, the ATIR deleted the addition of tax amortization of management right vide order dated February 10, 2017.

Order under section 122(1)/(5) dated December 30, 2017 for the tax year 2015 passed by the DCIR created demand of Rs.40 million against which Company filed appeal before the CIR(A).

Management, based on views of its legal counsel, is confident of a favorable outcome in respect of above matters.

| | | 2017 | 2016 |
|--|------|----------------------------|---------------|
| | Note | ----- Rupees in '000 ----- | |
| 34. EARNINGS PER SHARE - BASIC AND DILUTED | | | |
| Profit after taxation for the year - attributable to ordinary equity holders of the Group for diluted earnings | | 1,026,839 | 2,328,959 |
| Preference dividend for the year ended December 31, 2016 @ 12% p.a (2015: @ 12% p.a.) | 34.1 | (180,000) | (180,000) |
| Profit after taxation for the year - attributable to ordinary equity holders of the Group for basic earnings | | 846,839 | 2,148,959 |
| | | ----- Numbers ----- | |
| Weighted average number of basic outstanding ordinary shares during the year | | 1,072,464,262 | 1,072,464,262 |
| Weighted average number of diluted outstanding ordinary shares during the year | | 1,072,464,262 | 1,297,464,262 |
| | | ----- Rupees ----- | |
| Basic earnings per share | | 0.79 | 2.00 |
| Diluted earnings per share | 34.2 | 0.79 | 1.80 |

Notes to the Consolidated Financial Statements

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34.1 The shareholders of the Group in their meeting held on March 29, 2017 approved non-cumulative preference dividend of Rs.180 million (2016: Rs.180 million) for the preference shareholders. Since it was not recognised as a liability at reporting period as of December 31, 2016 due to non-adjusting event in accordance with International Accounting Standard - IAS 10 "Events after the Reporting Period", the basic earnings per share of the current period has been adjusted accordingly.

34.2 In 2017, the diluted earnings per share increases when taking the convertible preference shares into account, therefore the convertible preference shares are anti-dilutive and are excluded from the weighted average number of ordinary shares for the purpose of diluted earnings per share.

| | Note | 2017 | 2016 |
|---|------|----------------------------|-------------------|
| | | ----- Rupees in '000 ----- | |
| 35. CASH AND CASH EQUIVALENTS | | | |
| Cash and balances with treasury banks | 8 | 17,334,111 | 15,509,263 |
| Balances with other banks | 9 | 1,049,496 | 767,747 |
| Overdrawn nostro account | 16.2 | (198,996) | (40,528) |
| | | 18,184,611 | 16,236,482 |
| 36. STAFF STRENGTH | | | |
| Permanent | | 3,420 | 2,682 |
| Contractual basis | | 1,421 | 336 |
| Group's own staff strength at the end of the year | | 4,841 | 3,018 |
| Third party contract | | 523 | 1,491 |
| | | 5,364 | 4,509 |

37. DEFINED BENEFIT PLAN

37.1 General description

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

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

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

- Salary increase risk:

This is a risk to the Bank, because the benefits are based on the final salary, if the final salary is higher it will impacts the liability accordingly.

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- **Discount rate risk**

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

- **Withdrawal risk:**

This is the risk that actual withdrawals experience is different than expected and will impact the obligation accordingly.

- **Longevity Risk**

This is the risk that actual lifetime of retirees is longer than expectation. The risk is measured at plan level over the entire population.

- **Investment risk**

This is the risk that the assets are under-performing and are not sufficient to meet the liabilities.

- **Maturity profile**

The weighted average duration of the defined benefit obligation works out to 11 years.

37.3 Number of employees under the schemes

The number of employees covered under defined benefit scheme is 3,095 (2016: 2,325).

37.4 Principal actuarial assumptions

Principal actuarial assumptions at the end of the reporting period expressed as weighted averages. The actuarial valuations were carried out on December 31, 2017 based on the Projected Unit Credit Method, using the following significant assumptions:

| | | 2017 | 2016 |
|--|-----------|--------------------------------|--------------------------------|
| | | Percentage | |
| Valuation discount rate for year end obligation | per annum | 9.50% | 8.00% |
| Valuation discount rate for interest cost for the year | per annum | 8.00% | 9.00% |
| Expected return on plan assets | per annum | 9.50% | 8.00% |
| Future salary increase rate | per annum | 10.50% | 9.00% |
| Effective duration of the discounted future cash flows | years | 11 | 9.31 |
| Normal retirement age | years | 60 | 60 |
| Withdrawal rates | | Moderate | Moderate |
| Mortality rates | | SLIC 2001-2005, Setback 1 Year | SLIC 2001-2005, Setback 1 Year |

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

| | Defined benefit obligations | | Fair value of plan assets | | Net defined benefit liability (asset) | |
|--|-----------------------------|---------|---------------------------|---------|---------------------------------------|----------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| ----- Rupees in '000 ----- | | | | | | |
| Balance as at January 01 | 367,635 | 235,572 | 249,327 | 171,567 | 118,308 | 64,005 |
| Included in profit or loss | | | | | | |
| Current service cost | 84,931 | 58,437 | - | - | 84,931 | 58,437 |
| Interest cost / income | 29,076 | 21,022 | 24,431 | 18,142 | 4,645 | 2,880 |
| | 114,007 | 79,459 | 24,431 | 18,142 | 89,576 | 61,317 |
| Included in other | | | | | | |
| comprehensive income | | | | | | |
| Actuarial gains / losses arising from: | | | | | | |
| - financial assumptions | 611 | 31,859 | (10,273) | (393) | 10,884 | 32,252 |
| - experience adjustments | 74,658 | 24,739 | - | - | 74,658 | 24,739 |
| | 75,269 | 56,598 | (10,273) | (393) | 85,542 | 56,991 |
| Other movements | | | | | | |
| Contribution made during the year | - | - | 118,308 | 64,005 | (118,308) | (64,005) |
| Benefits paid during the year | (6,182) | (3,994) | (6,182) | (3,994) | - | - |
| | (6,182) | (3,994) | 112,126 | 60,011 | (118,308) | (64,005) |
| Balance as at December 31 | 550,729 | 367,635 | 375,611 | 249,327 | 175,118 | 118,308 |

37.6 The composition of the plan assets at the end of the reporting period for each category, are as follows:

| | Note | Cost | | Fair value of plan assets | | | |
|---------------------------|--------|----------------|---------|---------------------------|---------|-------------|-------|
| | | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | | Rupees in '000 | | Rupees in '000 | | Percentage | |
| Cash and cash equivalents | | 9,146 | 13,298 | 9,146 | 13,298 | 2.4% | 5.3% |
| Debt securities | 37.6.1 | 368,046 | 236,029 | 366,465 | 236,029 | 97.6% | 94.7% |
| | | 377,192 | 249,327 | 375,611 | 249,327 | 100% | 100% |

37.6.1 This represents investments held in Pakistan Investment Bonds (PIBs) and Term Finance Certificates (TFCs). The fair values of these securities are determined based on quoted market prices in active markets.

37.7 Maturity profile

37.7.1 Expected maturity analysis of undiscounted defined benefit obligation for the gratuity fund is as follows:

| | Up to one year | Over 1-2 years | Over 2- 5 years | Over 6-10 years | Over 10 and above years | Total |
|--|----------------|----------------|-----------------|-----------------|-------------------------|------------------|
| ----- Rupees in '000 ----- | | | | | | |
| Balance as at December 31, 2017 | 17,411 | 21,450 | 130,589 | 469,756 | 9,092,944 | 9,732,150 |

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37.8 Sensitivity analysis

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

| Particulars | Rate | Present value | Fair value | Net defined |
|--------------------------|----------------------------------|-------------------------------|--------------------|-------------------|
| | | of defined benefit obligation | of any plan assets | benefit liability |
| | | ----- Rupees in '000 ----- | | |
| Current results | - | 550,729 | 375,611 | 175,118 |
| Discount rate | | | | |
| 1% Increase | 10.5% | 493,611 | 375,611 | 118,000 |
| 1% Decrease | 8.5% | 612,313 | 375,611 | 236,702 |
| Salary Rate | | | | |
| 1% Increase | 10.5% | 612,313 | 375,611 | 236,702 |
| 1% Decrease | 8.5% | 492,727 | 375,611 | 117,116 |
| Withdrawal rate | | | | |
| 10% Increase | Moderate + one year | 532,944 | 375,611 | 157,333 |
| 10% Decrease | Moderate + one year | 565,531 | 375,611 | 189,920 |
| Mortality rate | | | | |
| One year age set back | Adjusted SLIC 2001-05 - one year | 549,331 | 375,611 | 173,720 |
| One year age set forward | Adjusted SLIC 2001-05 + one year | 547,637 | 375,611 | 172,026 |

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

37.9 Experience Adjustments

The re-measurement gains / losses arise due to actual experience varying from the actuarial assumptions for the year.

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|-----------|-----------|-----------|-----------|-----------|
| ----- Rupees in '000 ----- | | | | | |
| Particulars | | | | | |
| Defined benefit obligation | 550,729 | 367,635 | 235,572 | 154,368 | 116,676 |
| Fair value of plan assets | (375,611) | (249,327) | (171,567) | (133,019) | (115,387) |
| Net defined benefit liability | 175,118 | 118,308 | 64,005 | 21,349 | 1,289 |
| Remeasurement gain / (loss) on obligation | 75,269 | 56,598 | 12,774 | 3,493 | (740) |
| Remeasurement gain / (loss) on plan assets | 10,273 | 393 | (3,104) | 3,655 | 2,408 |
| Other comprehensive income | 85,542 | 56,991 | 9,670 | 7,148 | 1,668 |

37.10 The average duration of the payment of benefit obligation at December 31, 2017 is within one year.

37.11 The Bank contributes to the gratuity fund as per actuarial's expected charge for the next financial year. Based on actuarial advice and management estimates, the charge in respect of defined benefit obligation for the next one year works out to be Rs.123.419 million. The amount of re-measurements to be recognised in other comprehensive income for year ending December 31, 2017 will be worked out as at the next valuation.

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38. DEFINED CONTRIBUTION PLAN

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

| | Contribution basic salary | Number of employees | | Contribution made during the year | |
|-----------------------------|------------------------------|------------------------|-------|--------------------------------------|---------|
| | | 2017 | 2016 | 2017 | 2016 |
| | Percentages | Numbers | | Rupees in '000 | |
| Holding company | | | | | |
| - JS Bank Limited | 7.1% | 2,481 | 1,870 | 137,059 | 101,438 |
| Subsidiary companies | | | | | |
| - JS Global Capital Limited | 10% | 174 | 172 | 13,059 | 9,811 |
| - JS Investments Limited | 8% | 101 | 83 | 7,181 | 5,433 |

39. 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:

| | President & CEO | | Directors | | Executives | |
|---|----------------------------|--------|-----------|--------|------------|-----------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Note | ----- Rupees in '000 ----- | | | | | |
| Managerial remuneration | 19,636 | 17,727 | - | - | 2,044,181 | 1,463,342 |
| Defined contribution plan | - | - | - | - | 124,942 | 89,789 |
| Charge for defined benefit plan | - | - | - | - | 118,536 | 72,627 |
| Rent and house maintenance | - | - | - | - | 1,375 | 6,167 |
| Utilities | - | - | - | - | 4,944 | 2,443 |
| Medical | 1,964 | 1,773 | - | - | 189,265 | 145,059 |
| Conveyance and vehicle maintenance | - | - | - | - | 109,553 | 89,304 |
| Performance bonus | 20,000 | 20,000 | - | - | 368,922 | 308,818 |
| Non-executive directors' fee, allowances and other expenses | 39.1 | - | 15,475 | 16,101 | - | - |
| | | 41,600 | 39,500 | 15,475 | 16,101 | 2,961,718 |
| Number of persons | 39.2 | 1 | 1 | 22 | 22 | 1,558 |
| | | 1 | 1 | 22 | 22 | 1,558 |

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

39.2 The Presidents, Director and certain executives are also provided with other facilities, including free use of the Group and / or Company maintained cars.

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40. FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS 13 “Fair Value Measurement” defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank’s accounting policy as stated in note 7.12 to these consolidated financial statements.

The repricing profile, effective rates and maturity are stated in note 43.3.4 to these financial statements.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short term in nature or in the case of customer loans and deposits are frequently repriced.

Fair value hierarchy

IFRS 13 requires the Group to classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has following levels:

- Level 1** Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3** Unobservable inputs for the asset or liability.

40.1 Valuation techniques used in determination of fair values

| Item | Valuation approach and input used |
|---|--|
| Units of mutual funds | Fair values of investments in units of mutual funds are determined based on redemption prices disclosed at the Mutual Funds Association of Pakistan (MUFAP) as at the close of the business days. |
| Shares of listed companies | Fair values of investments in listed equity securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange. |
| Pakistan Investment Bonds / Market Treasury Bills | Fair values of Pakistan Investment Bonds and Market Treasury Bills are derived using PKRV rates (Reuters page). |
| Term Finance Certificates and Bonds | Investments in debt securities (comprising Term Finance Certificates, Bonds and any other security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital) are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the SECP. |
| Derivatives | The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant underlying parameters including foreign currency involved, interest rates, yield curves, volatilities, contracts duration, etc. |

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

40.2 The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

| | As at December 31, 2017 | | | |
|---|----------------------------|-------------|-----------|-------------|
| | Level 1 | Level 2 | Level 3 | Total |
| | ----- Rupees in '000 ----- | | | |
| On balance sheet financial instruments | | | | |
| Items carried at fair value | | | | |
| Financial assets classified as held-for-trading securities | | | | |
| Government securities | | | | |
| Market treasury bills | - | 7,761,553 | - | 7,761,553 |
| Pakistan investment bonds | - | 707,598 | - | 707,598 |
| | - | 8,469,151 | - | 8,469,151 |
| Ordinary shares of listed companies | 322,414 | - | - | 322,414 |
| Sukuk certificates - listed | - | 69,678 | - | 69,678 |
| Open end mutual funds | - | 426,249 | - | 426,249 |
| | 322,414 | 8,965,078 | - | 9,287,492 |
| Financial assets classified as available-for-sale securities | | | | |
| Government securities | | | | |
| Market treasury bills | - | 14,492,712 | - | 14,492,712 |
| Pakistan investment bonds | - | 93,429,759 | - | 93,429,759 |
| | - | 107,922,471 | - | 107,922,471 |
| Ordinary shares of listed companies | 3,595,918 | - | - | 3,595,918 |
| Open end mutual funds | - | 1,728,711 | - | 1,728,711 |
| Foreign currency bonds | - | 4,350,638 | - | 4,350,638 |
| | 3,918,332 | 122,966,898 | - | 126,885,230 |
| Non-Financial Assets | | | | |
| Operating fixed assets (Lease hold lands and buildings) | - | - | 2,745,141 | 2,745,141 |
| Non banking asset under satisfaction of claims | - | - | 203,339 | 203,339 |
| | 3,918,332 | 122,966,898 | 2,948,480 | 129,833,710 |
| Off balance sheet financial instruments | | | | |
| Forward government and equity securities | | | | |
| Purchase | - | 1,495,823 | - | 1,495,823 |
| Sale | - | 439,632 | - | 439,632 |
| Forward exchange contracts | | | | |
| Purchase | - | 6,851,332 | - | 6,851,332 |
| Sale | - | 5,061,071 | - | 5,061,071 |
| Cross currency swaps (notional principal) | - | 4,489,958 | - | 4,489,958 |
| Options (notional principal) | - | 2,426,276 | - | 2,426,276 |

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

| | As at December 31, 2016 | | | |
|---|----------------------------|-------------|---------|-------------|
| | Level 1 | Level 2 | Level 3 | Total |
| | ----- Rupees in '000 ----- | | | |
| On balance sheet financial instruments | | | | |
| Items carried at fair value | | | | |
| Financial assets classified as held-for-trading securities | | | | |
| Government securities | | | | |
| Market treasury bills | - | 65,758,485 | - | 65,758,485 |
| Ordinary shares of listed companies | 746,234 | - | - | 746,234 |
| Term finance certificates and sukuk | | | | |
| Sukuk certificates - listed | - | 12,078 | - | 12,078 |
| Term finance certificates - listed | - | 21,013 | - | 21,013 |
| | - | 33,091 | - | 33,091 |
| Open end mutual funds | - | 300,008 | - | 300,008 |
| | 746,234 | 66,091,584 | - | 66,837,818 |
| Financial assets classified as available-for-sale securities | | | | |
| Government securities | | | | |
| Market treasury bills | - | 4,884,060 | - | 4,884,060 |
| Pakistan investment bonds | - | 49,834,951 | - | 49,834,951 |
| Ijara sukuk | - | - | - | - |
| | - | 54,719,011 | - | 54,719,011 |
| Ordinary shares of listed companies | 4,291,093 | - | - | 4,291,093 |
| Open end mutual funds | - | 2,233,963 | - | 2,233,963 |
| Foreign currency bonds | - | 5,714,939 | - | 5,714,939 |
| | 5,037,327 | 128,759,497 | - | 133,796,824 |
| Non-financial assets | | | | |
| Non banking asset under satisfaction of claims | - | - | 175,808 | 175,808 |
| | 5,037,327 | 128,759,497 | 175,808 | 133,972,632 |
| Off balance sheet financial instruments | | | | |
| Forward government and equity securities | | | | |
| Purchase | - | 3,988,403 | - | 3,988,403 |
| Sale | - | 4,996,791 | - | 4,996,791 |
| Forward exchange contracts | | | | |
| Purchase | - | 9,816,883 | - | 9,816,883 |
| Sale | - | 9,977,367 | - | 9,977,367 |
| Cross currency swaps (notional principal) | - | 1,758,882 | - | 1,758,882 |

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

41. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

| | 2017 | | | | | | | | |
|--|-------------------|-------------------|----------------|--------------------|------------------------|-----------|------------------|-------------|--------------|
| | Corporate finance | Trading and sales | Retail banking | Commercial banking | Payment and settlement | Brokerage | Asset management | Others | Total |
| | Rupees in '000 | | | | | | | | |
| Total income - external | 460,281 | 11,856,298 | 4,627,752 | 7,224,520 | 188,534 | 783,438 | 316,780 | 75,126 | 25,532,729 |
| Inter-segment revenues - net | - | (8,720,051) | 8,416,392 | 303,659 | - | - | - | - | - |
| Total income | 460,281 | 3,136,247 | 13,044,144 | 7,528,179 | 188,534 | 783,438 | 316,780 | 75,126 | 25,532,729 |
| Total expenses | (96,476) | (2,050,057) | (12,373,591) | (7,207,277) | (81,791) | (692,783) | (319,356) | (516,304) | (23,337,635) |
| (Provisions) / reversal for the year | - | (295,623) | (6,111) | (24,111) | - | - | 38,233 | (44,805) | (332,417) |
| Current taxation | - | - | - | - | - | - | - | (671,821) | (671,821) |
| Prior year charge | - | - | - | - | - | - | - | (87,938) | (87,938) |
| Deferred tax | - | - | - | - | - | - | - | (36,032) | (36,032) |
| Net income / (loss) | 363,805 | 790,567 | 664,442 | 296,791 | 106,743 | 90,655 | 35,657 | (1,281,774) | 1,066,886 |
| Attributable to: | | | | | | | | | |
| Equity holders of the Group | | | | | | | | | 1,026,839 |
| Non-controlling interest | | | | | | | | | 40,047 |
| | | | | | | | | | 1,066,886 |
| Segment assets (gross) | - | 185,483,705 | 82,645,783 | 108,870,958 | - | 2,710,777 | 2,743,142 | 13,118,285 | 395,572,650 |
| Segment non performing assets | - | 1,622,691 | 613,448 | 2,644,549 | - | 745,784 | 106,512 | 10,861 | 5,743,845 |
| Segment total provisions | - | (1,071,851) | (283,887) | (2,355,075) | - | (745,784) | (106,512) | (55,665) | (4,618,774) |
| Segment liabilities | - | 57,126,105 | 219,370,286 | 83,137,017 | 3,824,278 | (636,426) | 233,340 | 8,231,362 | 371,285,962 |
| Segment return on net assets (ROA) (%) | | 6.34% | 8.26% | 7.43% | | | | | |
| Segment cost of funds (%) | | 6.30% | 3.94% | 4.68% | | | | | |

| | 2016 | | | | | | | | |
|--|-------------------|-------------------|----------------|--------------------|------------------------|-----------|------------------|-------------|--------------|
| | Corporate finance | Trading and sales | Retail banking | Commercial banking | Payment and settlement | Brokerage | Asset management | Others | Total |
| | Rupees in '000 | | | | | | | | |
| Total income - external | 227,441 | 12,093,862 | 3,280,867 | 4,137,521 | 162,775 | 672,203 | 417,975 | 39,818 | 21,032,462 |
| Inter-segment revenues - net | - | (5,688,503) | 5,267,564 | 420,939 | - | - | - | - | - |
| Total income | 227,441 | 6,405,359 | 8,548,431 | 4,558,460 | 162,775 | 672,203 | 417,975 | 39,818 | 21,032,462 |
| Total expenses | (27,004) | (1,918,504) | (8,931,035) | (4,262,553) | (81,974) | (504,124) | (272,195) | (899,370) | (16,896,759) |
| (Provisions) / reversal for the year | - | (415,027) | (104,085) | 167,689 | - | - | 75,123 | (5,281) | (281,581) |
| Current taxation | - | - | - | - | - | - | - | (1,146,823) | (1,146,823) |
| Prior year charge | - | - | - | - | - | - | - | (88,993) | (88,993) |
| Deferred tax | - | - | - | - | - | - | - | (159,672) | (159,672) |
| Net income / (loss) | 200,437 | 4,071,828 | (486,689) | 463,596 | 80,801 | 168,079 | 220,903 | (2,260,321) | 2,458,634 |
| Attributable to: | | | | | | | | | |
| Equity holders of the Group | | | | | | | | | 2,328,959 |
| Non-controlling interest | | | | | | | | | 129,675 |
| | | | | | | | | | 2,458,634 |
| Segment assets (gross) | - | 155,177,226 | 37,737,239 | 63,853,911 | - | 3,979,810 | 2,992,441 | 9,594,516 | 273,335,143 |
| Segment non performing assets | - | 1,125,952 | 315,703 | 3,012,239 | - | 745,784 | 144,746 | 10,861 | 5,355,285 |
| Segment total provisions | - | (948,820) | (181,830) | (2,477,511) | - | (745,784) | (144,746) | (10,861) | (4,509,552) |
| Segment liabilities | - | 1,946,252 | 156,713,850 | 79,664,600 | 2,544,028 | 1,790,842 | 265,135 | 6,138,490 | 249,063,197 |
| Segment return on net assets (ROA) (%) | | 7.91% | 8.22% | 7.72% | | | | | |
| Segment cost of funds (%) | | 5.90% | 4.02% | 5.48% | | | | | |

Notes to the Consolidated Financial Statements

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42 RELATED PARTY TRANSACTIONS

The Group has related party relationship with its associates, parent, subsidiaries, companies having common directors, companies in which parent holds more than 20% shares, employee benefit plans, and its key management personnel (including their associates).

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

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

| | December 31, 2017 | | | | |
|---|----------------------------|--------------------------|--------------------------|-----------------|--------------------------|
| | Opening balance | Disbursements / deposits | Repayments / withdrawals | Closing balance | Mark-up earned / expense |
| | ----- Rupees in '000 ----- | | | | |
| Advances | | | | | |
| Key management personnel | 479,860 | 676,082 | (445,611) | 710,331 | 27,865 |
| Companies having common directorship | 5,673 | - | (2,276) | 3,397 | 171 |
| Companies in which parent company holds 20% or more | 437,564 | 1,230,400 | (1,488,289) | 179,675 | 22,262 |
| Other related parties | 1,303,405 | 3,502,947 | (2,817,093) | 1,989,259 | 183,087 |
| Total | 2,226,502 | 5,409,429 | (4,753,269) | 2,882,662 | 233,385 |
| Borrowings | | | | | |
| Companies in which parent company holds 20% or more | - | 110,840,000 | (106,840,000) | 4,000,000 | 61,900 |
| Deposits | | | | | |
| Parent | 767,243 | 11,429,643 | (12,679,012) | (482,126) | 100,823 |
| Key management personnel | 56,583 | 1,213,860 | (1,233,811) | 36,632 | 2,654 |
| Companies having common directorship | 956,255 | 36,189,984 | (32,472,240) | 4,673,999 | 163,237 |
| Companies in which parent company holds 20% or more | 3,617,557 | 69,326,794 | (69,109,961) | 3,834,390 | 205,565 |
| Other related parties | 3,438,466 | 30,187,288 | (30,831,763) | 2,793,991 | 220,707 |
| Total | 8,836,104 | 148,347,569 | (146,326,787) | 10,856,886 | 692,986 |
| | | | | | |
| | | | | | |
| | | | | | |
| | December 31, 2016 | | | | |
| | Opening balance | Disbursements / Deposits | Repayments / withdrawals | Closing balance | Mark-up earned / expense |
| | ----- Rupees in '000 ----- | | | | |
| Advances | | | | | |
| Key management personnel | 397,435 | 292,193 | (209,768) | 479,860 | 19,250 |
| Companies having common directorship | 395,763 | 18,640,900 | (19,030,990) | 5,673 | 92,052 |
| Companies in which parent company holds 20% or more | - | 1,155,846 | (718,282) | 437,564 | 25,566 |
| Other related parties | 2,047,846 | 4,576,609 | (5,321,050) | 1,303,405 | 151,306 |
| Total | 2,841,044 | 24,665,548 | (25,280,090) | 2,226,502 | 288,174 |
| Lendings to financial institutions | | | | | |
| Companies in which parent company holds 20% or more | - | 700,000 | (700,000) | - | 155 |
| Borrowings | | | | | |
| Companies in which parent company holds 20% or more | - | 47,800,000 | (47,800,000) | - | 43,384 |
| Deposits | | | | | |
| Parent | 2,016,612 | 11,429,643 | (12,679,012) | 767,243 | 100,823 |
| Key management personnel | 76,534 | 1,213,860 | (1,233,811) | 56,583 | 2,654 |
| Companies having common directorship | 1,097,580 | 27,432,054 | (27,573,379) | 956,255 | 64,321 |
| Companies in which parent company holds 20% or more | 2,510,501 | 59,785,999 | (58,678,943) | 3,617,557 | 194,164 |
| Other related parties | 2,308,568 | 33,645,004 | (32,515,106) | 3,438,466 | 125,815 |
| Total | 8,009,795 | 133,506,560 | (132,680,251) | 8,836,104 | 487,777 |

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The related party status of outstanding receivables and payables as at December 31, 2017 is included in respective notes to the financial statements. Material transactions with related parties are given below:

| | Companies having common directorship | | Companies in which parent company holds 20% or more | | Other related parties | | Total | |
|--|--------------------------------------|-----------|---|------------|-----------------------|-----------|------------|------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| ----- Rupees in '000 ----- | | | | | | | | |
| Nature of transactions | | | | | | | | |
| Purchase of term finance certificates | - | - | - | 83,200 | - | - | - | 83,200 |
| Sale of government securities | - | 1,721,049 | 68,804,288 | 26,513,047 | 2,563,412 | 1,906,936 | 71,367,700 | 30,141,032 |
| Purchase of government securities | - | - | 714,727 | 1,125,937 | 516,586 | 523,545 | 1,231,313 | 1,649,482 |
| Purchase of sukuk | - | - | 51,197 | 295,977 | - | - | 51,197 | 295,977 |
| Sale of sukuk / ijara | - | - | 1,012,500 | 295,977 | - | - | 1,012,500 | 295,977 |
| Sale of shares / units | - | - | - | - | 778,189 | 989,572 | 778,189 | 989,572 |
| Purchase of shares / units | - | - | - | - | 627,512 | 771,731 | 627,512 | 771,731 |
| Purchase of forward foreign exchange contracts | - | - | 5,725,413 | 6,109,906 | - | - | 5,725,413 | 6,109,906 |
| Sale of forward foreign exchange contracts | - | - | 8,846,524 | 10,613,895 | - | - | 8,846,524 | 10,613,895 |
| Letter of credits | 92,267 | 42,688 | - | - | 104,937 | 95,890 | 197,204 | 138,578 |
| Letter of guarantees | - | - | 517 | - | 1,184 | - | 1,701 | - |
| Reimbursement of expenses | 1,561 | 1,072 | - | - | 29,184 | 18,117 | 30,745 | 19,189 |
| Payment to staff benefit plan | - | - | - | - | 118,308 | 64,005 | 118,308 | 64,005 |
| Payment to staff contribution plan | - | - | - | - | 157,299 | 116,682 | 157,299 | 116,682 |
| Remuneration of key management personnel | - | - | - | - | 591,174 | 484,949 | 591,174 | 484,949 |
| Director fees and allowances | - | - | - | - | 15,475 | 16,101 | 15,475 | 16,101 |
| Rent received / receivables | 1,516 | 2,072 | - | - | 14,285 | 12,883 | 15,801 | 14,955 |
| Expenses incurred on behalf | 1,413 | 1,449 | - | - | 27,260 | 20,186 | 28,673 | 21,635 |
| Services rendered | - | - | 23,352 | 10,621 | - | - | 23,352 | 10,621 |
| Payment of insurance premium | - | - | 165,979 | 107,466 | 53,042 | 46,316 | 219,021 | 153,782 |
| Commission income | 23,526 | 72 | 170,716 | 86,791 | 13,287 | 17,445 | 207,529 | 104,308 |
| Dividend income | - | - | 57,864 | 35,850 | 61,387 | 48,688 | 119,251 | 84,538 |
| Advisory fee | - | - | - | - | 42,000 | 36,000 | 42,000 | 36,000 |
| Royalty | - | - | - | - | 20,000 | 10,000 | 20,000 | 10,000 |
| Preference dividend paid | - | - | - | - | 1,479 | 1,479 | 1,479 | 1,479 |
| Remunerative income | - | - | - | - | 199,439 | 155,353 | 199,439 | 155,353 |
| Services received | - | - | - | - | 514 | 586 | 514 | 586 |
| Parent company | | | | | | | | |
| | 2017 | 2016 | | | | | | |
| ---- Rupees in '000 ---- | | | | | | | | |
| Nature of transactions | | | | | | | | |
| Purchase of Government Securities | - | 25,080 | | | | | | |
| Mark-up / commission income | 2,850 | - | | | | | | |
| Rent expense paid / accrued | 46,630 | 44,002 | | | | | | |
| Expenses incurred on behalf | 61 | 74 | | | | | | |
| Reimbursement of expenses | 17,213 | 24,267 | | | | | | |
| Preference dividend paid | 174,450 | 174,450 | | | | | | |

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43. CAPITAL ASSESSMENT AND ADEQUACY

43.1 Scope of Application

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

43.2 Capital Structure- Basel III

Bank's regulatory capital is analyzed into two tiers:

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

- a. Common equity Tier I which includes fully issued, subscribed and paid up capital, balance in share premium account, reserve for bonus issue, general reserves as per the financial statements and net un-appropriated profits etc. after deductions of investments in equity of subsidiary companies engaged in banking and financial activities, goodwill & other intangible assets and deficit on revaluation of available for sale investments due to insufficiency of Additional Tier I and Tier II to cover deductions.
- b. Additional Tier I which includes Instruments issued in the form of perpetual non-cumulative preference shares by the banks, share premium resulting from the issuance of the instruments after deduction of goodwill & other intangible assets, deficit on revaluation of available for sale investments and deferred tax assets.

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

43.3 Capital Adequacy

Capital Management

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

Statutory Minimum Capital Requirement (MCR) and Capital Adequacy Ratio (CAR)

The State Bank of Pakistan (SBP) through its BSD Circular no. 7 dated April 15, 2009 require Banks / Development Financial Institutions (DFIs) to raise and maintain their paid up capital (net of losses) equivalent to Rs.10 billion. The paid-up capital (free of losses) of the Bank as at December 31, 2017 stood at Rs.10.119 billion including un-listed, convertible, irredeemable, perpetual, non-cumulative, non-voting preference shares of Rs.1.5 billion. In addition banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 11.28% of their risk weighted exposure. The Bank's CAR as at December 31, 2017 was approximately 12.77% of its risk weighted assets.

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Basel III transition

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

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

| Sr | Ratio | As of December 31, | | | | | | |
|----|---------------------------------|--------------------|-------|--------|--------|---------|-------|-------|
| | | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| 1 | CET1 | 5.0% | 5.5% | 6.0% | 6.0% | 6.0% | 6.0% | 6.0% |
| 2 | ADT-1 | 1.5% | 1.5% | 1.5% | 1.5% | 1.5% | 1.5% | 1.5% |
| 3 | Tier 1 | 6.5% | 7.0% | 7.5% | 7.5% | 7.5% | 7.5% | 7.5% |
| 4 | Total Capital | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| 5 | "CCB (Consisting of CET1 only)" | - | - | 0.25% | 0.65% | 1.275% | 1.9% | 2.5% |
| 6 | Total Capital plus CCB | 10.0% | 10.0% | 10.25% | 10.65% | 11.275% | 11.9% | 12.5% |

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

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

Notes to the Consolidated Financial Statements

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Note 43.4 Capital Adequacy Ratio (CAR) disclosure:

CAPITAL ADEQUACY RETURN AS OF DECEMBER 31, 2017

| | 2017 | 2016 |
|--|----------------------------|----------------------------|
| | ----- Rupees in '000 ----- | ----- Rupees in '000 ----- |
| | Amount | Amount |
| Common Equity Tier 1 capital (CET1): Instruments and reserves | | |
| 1 Fully Paid-up Capital/ Capital deposited with SBP | 10,724,643 | 10,724,643 |
| 2 Balance in Share Premium Account | - | - |
| 3 Reserve for issue of Bonus Shares | - | - |
| 4 Discount on Issue of shares | (2,105,401) | (2,105,401) |
| 5 General/ Statutory Reserves | 1,540,987 | 1,334,138 |
| 6 Gain/(Losses) on derivatives held as Cash Flow Hedge | - | - |
| 7 Unappropriated/unremitted profits/ (losses) | 5,466,338 | 4,858,596 |
| 8 Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group) | 445,061 | 1,061,785 |
| 9 CET 1 before Regulatory Adjustments | 16,071,628 | 15,873,761 |
| 10 Total regulatory adjustments applied to CET1 (Note 41.4.1) | 1,483,308 | 1,674,651 |
| 11 Common Equity Tier 1 | 14,588,319 | 14,199,110 |
| Additional Tier 1 (AT 1) Capital | | |
| 12 Qualifying Additional Tier-1 capital instruments plus any related share premium | | |
| 13 of which: Classified as equity | 1,500,000 | 1,500,000 |
| 14 of which: Classified as liabilities | - | - |
| 15 Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1) | 18,689 | 43,363 |
| 16 of which: instrument issued by subsidiaries subject to phase out | | |
| 17 AT1 before regulatory adjustments | 1,518,689 | 1,543,363 |
| 18 Total regulatory adjustment applied to AT1 capital (Note 41.4.2) | 487,620 | 609,328 |
| 19 Additional Tier 1 capital after regulatory adjustments | 1,031,068 | 934,035 |
| 20 Additional Tier 1 capital recognized for capital adequacy | 1,031,068 | 934,035 |
| 21 Tier 1 Capital (CET1 + admissible AT1) (11+20) | 15,619,388 | 15,133,145 |
| Tier 2 Capital | | |
| 22 Qualifying Tier 2 capital instruments under Basel III plus any related share premium | 4,998,800 | 3,000,000 |
| 23 Tier 2 capital instruments subject to phaseout arrangement issued under pre-Basel 3 rules | | |
| 24 Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2) | 72,193 | 167,692 |
| 25 of which: instruments issued by subsidiaries subject to phase out | | |
| 26 General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets | 100,352 | 40,988 |
| 27 Revaluation Reserves (net of taxes) | | |
| 28 of which: Revaluation reserves on fixed assets | 584,372 | |
| 29 of which: Unrealized gains/losses on AFS | 293,020 | 1,508,644 |
| 30 Foreign Exchange Translation Reserves | | |
| 31 Undisclosed/Other Reserves (if any) | | |
| 32 T2 before regulatory adjustments | 6,048,737 | 4,717,324 |
| 33 Total regulatory adjustment applied to T2 capital (Note 41.4.3) | - | 14,168 |
| 34 Tier 2 capital (T2) after regulatory adjustments | 6,048,737 | 4,703,156 |
| 35 Tier 2 capital recognized for capital adequacy | 5,211,580 | 4,703,156 |
| 36 Portion of Additional Tier 1 capital recognized in Tier 2 capital | - | - |
| 37 Total Tier 2 capital admissible for capital adequacy | 5,211,580 | 4,703,156 |
| 38 TOTAL CAPITAL (T1 + admissible T2) (21+37) | 20,830,968 | 19,836,301 |
| 39 Total Risk Weighted Assets (RWA) (for details refer Note 41.7) | 163,178,634 | 127,010,221 |
| Capital Ratios and buffers (in percentage of risk weighted assets) | | |
| 40 CET1 to total RWA | 8.94% | 11.18% |
| 41 Tier-1 capital to total RWA | 9.57% | 11.91% |
| 42 Total capital to total RWA | 12.77% | 15.62% |
| 43 Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement) | 7.275% | 6.65% |
| 44 of which: capital conservation buffer requirement | 1.275% | 0.65% |
| 45 of which: countercyclical buffer requirement | 0.00% | 0.00% |
| 46 of which: D-SIB or G-SIB buffer requirement | 0.00% | 0.00% |
| 47 CET1 available to meet buffers (as a percentage of risk weighted assets) | 8.94% | 11.18% |
| National minimum capital requirements prescribed by SBP | | |
| 48 CET1 minimum ratio | 7.275% | 6.65% |
| 49 Tier 1 minimum ratio | 7.50% | 7.50% |
| 50 Total capital minimum ratio | 11.28% | 10.65% |

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

| Regulatory Adjustments and Additional Information | 2017 | 2016 |
|---|---|-----------|
| | Amount | Amount |
| | Rupees in '000 | |
| | Amounts subject to Pre- Basel III treatment | |
| Note 43.4.1 Common Equity Tier 1 capital: Regulatory adjustments | | |
| 1 Goodwill (net of related deferred tax liability) | 951,356 | 951,356 |
| 2 All other intangibles (net of any associated deferred tax liability) | 531,952 | 402,300 |
| 3 Shortfall in provisions against classified assets | - | - |
| 4 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability) | - | - |
| 5 Defined-benefit pension fund net assets | - | - |
| 6 Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities | - | - |
| 7 Cash flow hedge reserve | - | - |
| 8 Investment in own shares/ CET1 instruments | - | - |
| 9 Securitization gain on sale | - | - |
| 10 Capital shortfall of regulated subsidiaries | - | - |
| 11 Deficit on account of revaluation from bank's holdings of fixed assets/ AFS | - | - |
| 12 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) | - | 320,995 |
| 13 Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold) | - | - |
| 14 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability) | - | - |
| 15 Amount exceeding 15% threshold | - | - |
| 16 of which: significant investments in the common stocks of financial entities | - | - |
| 17 of which: deferred tax assets arising from temporary differences | - | - |
| 18 National specific regulatory adjustments applied to CET1 capital | - | - |
| 19 Investments in TFCs of other banks exceeding the prescribed limit | - | - |
| 20 Any other deduction specified by SBP (mention details) | - | - |
| 21 Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions | - | - |
| 22 Total regulatory adjustments applied to CET1 (sum of 1 to 21) | 1,483,308 | 1,674,651 |
| Note 43.4.2 Additional Tier-1 & Tier-1 Capital: regulatory adjustments | | |
| 23 Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment] | 487,620 | 609,328 |
| 24 Investment in own AT1 capital instruments | - | - |
| 25 Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities | - | - |
| 26 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) | - | - |
| 27 Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation | - | - |
| 28 Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital | - | 575,736 |
| 29 Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions | - | - |
| 30 Total regulatory adjustment applied to AT1 capital (sum of 23 to 29) | 487,620 | 1,185,065 |

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

| | 2017 | 2016 |
|---|--|----------------------------|
| | ----- Rupees in '000 ----- | ----- Rupees in '000 ----- |
| | Amount | Amount |
| | Amounts subject to Pre- Basel III treatment | Amount |
| Note 43.4.3 Tier 2 Capital: regulatory adjustments | | |
| 31 | Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital | - |
| 32 | Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities | - |
| 33 | Investment in own Tier 2 capital instrument | - |
| 34 | Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) | 14,168 |
| 35 | Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation | - |
| 36 | Total regulatory adjustment applied to T2 capital (sum of 31 to 35) | 14,168 |
| Note 43.4.4 Additional Information | | |
| Risk Weighted Assets subject to pre-Basel III treatment | | |
| 37 | Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment) | - |
| (i) | of which: deferred tax assets | - |
| (ii) | of which: Defined-benefit pension fund net assets | - |
| (iii) | of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity | 213,997 |
| (iv) | of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity | - |
| Amounts below the thresholds for deduction (before risk weighting) | | |
| 38 | Non-significant investments in the capital of other financial entities | - |
| 39 | Significant investments in the common stock of financial entities | - |
| 40 | Deferred tax assets arising from temporary differences (net of related tax liability) | - |
| Applicable caps on the inclusion of provisions in Tier 2 | | |
| 41 | Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap) | 40,988 |
| 42 | Cap on inclusion of provisions in Tier 2 under standardized approach | 1,757,058 |
| 43 | Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap) | - |
| 44 | Cap for inclusion of provisions in Tier 2 under internal ratings-based approach | - |

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

43.5 Capital Structure Reconciliation

Step: 1

As per balance sheet Under regulatory scope of consolidation

December 31, 2017

Rupees in '000

Assets

Cash and balances with treasury banks
Balanced with other banks
Lending to financial institutions
Investments
Advances
Operating fixed assets
Deferred tax assets
Other assets

Total assets

Liabilities & Equity

Bills payable
Borrowings
Deposits and other accounts
Sub-ordinated loans
Liabilities against assets subject to finance lease
Deferred tax liabilities
Other liabilities

Total liabilities

Share capital/ Head office capital account
Reserves
Unappropriated profit
Minority Interest
Surplus on revaluation of assets

Total Equity

Total liabilities & equity

| | |
|--------------------|--------------------|
| 17,334,111 | 17,334,111 |
| 1,049,496 | 1,049,496 |
| 3,116,199 | 3,116,199 |
| 170,288,835 | 170,288,835 |
| 184,161,175 | 184,161,175 |
| 7,589,702 | 7,589,702 |
| - | - |
| 7,414,358 | 7,414,358 |
| 390,953,876 | 390,953,876 |
| 3,824,278 | 3,824,278 |
| 64,557,043 | 64,557,043 |
| 288,365,014 | 288,365,014 |
| 4,998,800 | 4,998,800 |
| 5,032 | 5,032 |
| 686,941 | 686,941 |
| 8,848,854 | 8,848,854 |
| 371,285,962 | 371,285,962 |
| 10,119,242 | 10,119,242 |
| 1,540,987 | 1,540,987 |
| 5,463,357 | 5,463,357 |
| 1,463,454 | 1,463,454 |
| 1,080,874 | 1,080,874 |
| 19,667,914 | 19,667,914 |
| 390,953,876 | 390,953,876 |

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

| Step : 2 | As per balance sheet | Under regulatory scope of consolidation | Reference |
|--|--------------------------|---|-----------|
| | December 31, 2017 | | |
| | Rupees in '000 | | |
| Assets | | | |
| Cash and balances with treasury banks | 17,334,111 | 17,334,111 | |
| Balances with other banks | 1,049,496 | 1,049,496 | |
| Lending to financial institutions | 3,116,199 | 3,116,199 | |
| Investments | 170,288,835 | 170,288,835 | |
| of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold | - | - | a |
| of which: significant capital investments in financial sector entities exceeding regulatory threshold | - | - | b |
| of which: Mutual Funds exceeding regulatory threshold | 487,620 | 487,620 | c |
| of which: reciprocal crossholding of capital instrument | - | - | d |
| of which: Investment in TFCs of other banks exceeding the prescribed limit | - | - | e |
| Advances | 184,161,175 | 184,161,175 | |
| shortfall in provisions/ excess of total EL amount over eligible provisions under IRB | - | - | f |
| general provisions reflected in Tier 2 capital | 100,352 | 100,352 | g |
| Fixed Assets | 7,589,702 | 7,589,702 | |
| Deferred Tax Assets | - | - | |
| of which: DTAs excluding those arising from temporary differences | - | - | h |
| of which: DTAs arising from temporary differences exceeding regulatory threshold | - | - | i |
| Other assets | 7,414,358 | 7,414,358 | |
| of which: Goodwill | 951,356 | 951,356 | j |
| of which: Intangibles | 531,952 | 531,952 | k |
| of which: Defined-benefit pension fund net assets | - | - | l |
| Total assets | 390,953,876 | 390,953,876 | |

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

| | As per balance sheet | Under regulatory scope of consolidation | Reference |
|--|----------------------|---|-----------|
| December 31, 2017 | | | |
| Rupees in '000 | | | |
| Liabilities & Equity | | | |
| Bills payable | 3,824,278 | 3,824,278 | |
| Borrowings | 64,557,043 | 64,557,043 | |
| Deposits and other accounts | 288,365,014 | 288,365,014 | |
| Sub-ordinated loans | 4,998,800 | 4,998,800 | |
| of which: eligible for inclusion in AT1 | - | - | m |
| of which: eligible for inclusion in Tier 2 | - | - | n |
| Liabilities against assets subject to finance lease | 5,032 | 5,032 | |
| Deferred tax liabilities | 686,941 | 686,941 | |
| of which: DTLs related to goodwill | 512,268 | 512,268 | o |
| of which: DTLs related to intangible assets | - | - | p |
| of which: DTLs related to defined pension fund net assets | - | - | q |
| of which: other deferred tax liabilities | 174,673 | 174,673 | r |
| Other liabilities | 8,848,854 | 8,848,854 | |
| Total liabilities | 371,280,930 | 371,280,930 | |
| Share capital | 10,119,242 | 10,119,242 | |
| of which: amount eligible for CET1 | 8,619,242 | 8,619,242 | s |
| of which: amount eligible for AT1 | 1,500,000 | 1,500,000 | t |
| Reserves | 1,540,987 | 1,540,987 | |
| of which: portion eligible for inclusion in CET1 (provide breakup) | 1,540,987 | 1,540,987 | u |
| of which: portion eligible for inclusion in Tier 2 | - | - | v |
| Unappropriated profit/ (losses) | 5,463,357 | 5,463,357 | w |
| Minority Interest | 1,463,454 | 1,463,454 | |
| of which: portion eligible for inclusion in CET1 | - | - | x |
| of which: portion eligible for inclusion in AT1 | - | - | y |
| of which: portion eligible for inclusion in Tier 2 | - | - | z |
| Surplus on revaluation of assets | 1,080,874 | 1,080,874 | |
| of which: Revaluation reserves on Property | - | - | aa |
| of which: Unrealized Gains/Losses on AFS | - | - | ab |
| In case of Deficit on revaluation (deduction from CET1) | - | - | |
| Total liabilities & Equity | 390,948,844 | 390,948,844 | |

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

| | Component of regulatory capital reported by bank (Rupees in '000) | Reference |
|--|---|-------------------|
| Common Equity Tier 1 capital (CET1): Instruments and reserves | | |
| Fully Paid-up Capital/ Capital deposited with SBP | 10,724,643 | (s) |
| Balance in Share Premium Account | - | |
| Reserve for issue of Bonus Shares | - | |
| Discount on issue of Shares (enter negative number) | (2,105,401) | |
| General/ Statutory Reserves | 1,540,987 | (u) |
| Gain/(Losses) on derivatives held as Cash Flow Hedge | - | |
| Unappropriated/unremitted profits/(losses) | 5,466,338 | (w) |
| Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group) | 445,061 | (x) |
| CET 1 before Regulatory Adjustments | 16,071,628 | |
| Common Equity Tier 1 capital: Regulatory adjustments | | |
| Goodwill (net of related deferred tax liability) | 951,356 | (j) - (o) |
| All other intangibles (net of any associated deferred tax liability) | 531,952 | (k) - (p) |
| Shortfall of provisions against classified assets | - | (f) |
| Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability) | - | {(h) - (r)} * x% |
| Defined-benefit pension fund net assets | - | {(l) - (q)} * x% |
| Reciprocal cross holdings in CET1 capital instruments | - | (d) |
| Cash flow hedge reserve | - | |
| Investment in own shares/ CET1 instruments | - | |
| Securitization gain on sale | - | |
| Capital shortfall of regulated subsidiaries | - | |
| Deficit on account of revaluation from bank's holdings of property/ AFS | - | (ab) |
| Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) | - | (a) - (ac) - (ae) |
| Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold) | - | (b) - (ad) - (af) |
| Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability) | - | (i) |
| Amount exceeding 15% threshold | - | |
| of which: significant investments in the common stocks of financial entities | - | |
| of which: deferred tax assets arising from temporary differences | - | |
| National specific regulatory adjustments applied to CET1 capital | - | |
| Investment in TFCs of other banks exceeding the prescribed limit | - | |
| Any other deduction specified by SBP (mention details) | - | |
| Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions | - | |
| Total regulatory adjustments applied to CET1 (sum of 9 to 25) | 1,483,308 | |
| Common Equity Tier 1 | 14,588,320 | |

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

| | Component of regulatory capital reported by bank (Rupees in '000) | Reference |
|---|---|-----------------|
| Additional Tier 1 (AT 1) Capital | | |
| Qualifying Additional Tier-1 instruments plus any related share premium | 1,500,000 | |
| of which: Classified as equity | 1,500,000 | (t) |
| of which: Classified as liabilities | - | (m) |
| Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1) | 18,689 | (y) |
| of which: instrument issued by subsidiaries subject to phase out | - | |
| AT1 before regulatory adjustments | 1,518,689 | |
| Additional Tier 1 Capital: regulatory adjustments | | |
| Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment) | 487,620 | |
| Investment in own AT1 capital instruments | - | |
| Reciprocal cross holdings in Additional Tier 1 capital instruments | - | |
| Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) | - | (ac) |
| Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation | - | (ad) |
| Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital | - | |
| Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions | - | |
| Total of Regulatory Adjustment applied to AT1 capital | 487,620 | |
| Additional Tier 1 capital | 1,031,068 | |
| Additional Tier 1 capital recognized for capital adequacy | 1,031,068 | |
| Tier 1 Capital (CET1 + admissible AT1) | 15,619,387 | |
| Tier 2 Capital | | |
| Qualifying Tier 2 capital instruments under Basel III | 4,998,800 | |
| Capital instruments subject to phase out arrangement from tier 2 (Pre- Basel III instruments) | - | (n) |
| Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2) | 72,193 | (z) |
| of which: instruments issued by subsidiaries subject to phase out | - | |
| General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets | 100,352 | (g) |
| Revaluation Reserves eligible for Tier 2 | 877,392 | |
| of which: portion pertaining to Property | 584,372 | |
| of which: portion pertaining to AFS securities | 293,020 | portion of (aa) |
| Foreign Exchange Translation Reserves | - | (v) |
| Undisclosed/Other Reserves (if any) | - | |
| T2 before regulatory adjustments | 6,048,737 | |

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

| | Component of regulatory capital reported by bank (Rupees in '000) | Reference |
|--|---|-----------|
| Tier 2 Capital: regulatory adjustments | | |
| Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital | - | |
| Reciprocal cross holdings in Tier 2 instruments | - | |
| Investment in own Tier 2 capital instrument | - | |
| Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) | - | (ae) |
| Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation | - | (af) |
| Amount of Regulatory Adjustment applied to T2 capital | - | |
| Tier 2 capital (T2) | - | |
| Tier 2 capital recognized for capital adequacy | 5,211,580 | |
| Excess Additional Tier 1 capital recognized in Tier 2 capital | - | |
| Total Tier 2 capital admissible for capital adequacy | 5,211,580 | |
| TOTAL CAPITAL (T1 + admissible T2) | 20,830,967 | |

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

43.6 Main Features of Regulatory Capital Instruments

| S.No | Main Features | Common Shares | Preference Shares | Sub-debt -1 | Sub-debt - 2 |
|------|---|----------------------|---------------------|---|---|
| 1 | Issuer | JS Bank | JS Bank | JS Bank | JS Bank |
| 2 | Unique identifier (eg KSE Symbol or Bloomberg identifier etc.) | JSB | JSB | JSB | JSB |
| 3 | Governing law(s) of the instrument | SECP | SECP | SECP | SECP |
| | Regulatory treatment | | | | |
| 4 | Transitional Basel III rules | Common Equity Tier-1 | Additional Tier-1 | Tier-2 | Tier-2 |
| 5 | Post-transitional Basel III rules | Common Equity Tier-1 | Additional Tier-1 | Tier-2 | Tier-2 |
| 6 | Eligible at solo/ group/ group&solo | Solo and Group | Solo and Group | Solo and Group | Solo and Group |
| 7 | Instrument type | Ordinary Shares | Preference Shares | Subordinated Debt | Subordinated Debt |
| 8 | Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date) | 8,619,242 | 1,500,000 | 3,000,000 | 2,000,000 |
| 9 | Par value of instrument | 10 | 10 | 5,000 | 100,000 |
| 10 | Accounting classification | Shareholders Equity | Shareholders Equity | Liability | Liability |
| 11 | Original date of issuance | 2006 | 2014 | 14-December-16 | 29-December-17 |
| 12 | Perpetual or dated | No Maturity | NA | Dated | Dated |
| 13 | Original maturity date | NA | NA | 14-December-23 | 29-December-24 |
| 14 | Issuer call subject to prior supervisory approval | No | No | Yes | Yes |
| 15 | Optional call date, contingent call dates and redemption amount | NA | NA | On or after 10th redemption, on any profit date, partially or fully | On or after 10th redemption, on any profit date, partially or fully |
| 16 | Subsequent call dates, if applicable | NA | NA | NA | NA |
| | Coupons / dividends | | | | |
| 17 | Fixed or floating dividend/ coupon | NA | Fixed | Floating | Floating |
| 18 | coupon rate and any related index/ benchmark | NA | NA | Floating at 6 Months KIBOR*(Base Rate) plus 140 basis points per annum without any floor or CAP | Floating at 6 Months KIBOR*(Base Rate) plus 140 basis points per annum without any floor or CAP |
| 19 | Existence of a dividend stopper | NA | NA | NA | NA |
| 20 | Fully discretionary, partially discretionary or mandatory | NA | NA | mandatory | mandatory |
| 21 | Existence of step up or other incentive to redeem | NA | NA | NA | NA |
| 22 | Noncumulative or cumulative | NA | Non-Cumulative | Cumulative | Cumulative |
| 23 | Convertible or non-convertible | NA | Convertible | Convertible | Convertible |

Notes to the Consolidated Financial Statements

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| S.No | Main Features | Common Shares | Preference Shares | Sub-debt -1 | Sub-debt - 2 |
|------|---|---------------|-------------------|--|--|
| 24 | If convertible, conversion trigger (s) | NA | NA | At the option of supervisor it can be converted into common equity upon occurrence of certain trigger events , called point of non viability(PONV). The PONV is the earlier of; 1. A decision made by SBP that a conversion or temporary/ permanent write off is necessary without which the bank would become non viable. 2. the decision to make a public sector injection of capital, or equivalent support, without which the bank would have become non viable, as determined by SBP. | At the option of supervisor it can be converted into common equity upon occurrence of certain trigger events , called point of non viability(PONV). The PONV is the earlier of; 1. A decision made by SBP that a conversion or temporary/ permanent write off is necessary without which the bank would become non viable. 2. the decision to make a public sector injection of capital, or equivalent support, without which the bank would have become non viable, as determined by SBP. |
| 25 | If convertible, fully or partially | NA | Fully | May convert fully or partially | May convert fully or partially |
| 26 | If convertible, conversion rate | NA | 1:1.5 | To be determined in the case of trigger event | To be determined in the case of trigger event |
| 27 | If convertible, mandatory or optional conversion | NA | Mandatory | Optional | Optional |
| 28 | If convertible, specify instrument type convertible into | NA | Ordinary Shares | Ordinary Shares | Ordinary Shares |
| 29 | If convertible, specify issuer of instrument it converts into | NA | NA | NA | NA |
| 30 | Write-down feature | NA | NA | Yes | Yes |
| 31 | If write-down, write-down trigger(s) | NA | NA | At the option of supervisor it can be converted into common equity upon occurrence of certain trigger events, called point of non viability(PONV). The PONV is the earlier of: 1. A decision made by SBP that a conversion or temporary/ permanent write off is necessary without which the bank would become non viable. 2. the decision to make a public sector injection of capital, or equivalent support, without which the bank would have become non viable, as determined by SBP. | At the option of supervisor it can be converted into common equity upon occurrence of certain trigger events, called point of non viability(PONV). The PONV is the earlier of: 1. A decision made by SBP that a conversion or temporary/ permanent write off is necessary without which the bank would become non viable. 2. the decision to make a public sector injection of capital, or equivalent support, without which the bank would have become non viable, as determined by SBP. |
| 32 | If write-down, full or partial | NA | NA | Either partially or fully | Either partially or fully |
| 33 | If write-down, permanent or temporary | NA | NA | Permanent | Permanent |
| 34 | If temporary write-down, description of write-up mechanism | NA | NA | NA | NA |
| 35 | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | NA | NA | Deposits | Deposits |
| 36 | Non-compliant transitioned features | NA | NA | No | No |
| 37 | If yes, specify non-compliant features | NA | NA | NA | NA |

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

43.7 Capital Adequacy

| | Capital Requirements | | Risk Weighted Assets | |
|---|----------------------|-------------------|----------------------|-------------------|
| | December 31, 2017 | December 31, 2016 | December 31, 2017 | December 31, 2016 |
| ----- Rupees in '000 ----- | | | | |
| Credit Risk | | | | |
| On balance sheet | | | | |
| Corporate | 7,555,127 | 5,722,129 | 75,551,272 | 57,221,293 |
| Retail | 2,799,388 | 1,029,394 | 27,993,877 | 10,293,935 |
| Banks and DFIs | 404,953 | 311,560 | 4,049,525 | 3,115,598 |
| Public sector entity | 43,543 | 72,068 | 435,428 | 720,680 |
| Sovereign (include GoP and SBP) | 158,660 | 344,147 | 1,586,600 | 3,441,471 |
| Residential mortgage finance | 245,367 | 88,917 | 2,453,672 | 889,167 |
| Past due loans | 77,207 | 88,463 | 772,074 | 884,631 |
| Fixed assets | 559,041 | 415,564 | 5,590,406 | 4,155,640 |
| Other assets | 234,780 | 317,728 | 2,347,797 | 3,177,281 |
| | 12,078,065 | 8,389,970 | 120,780,651 | 83,899,696 |
| Off balance sheet | | | | |
| Non market related | 1,580,253 | 1,552,561 | 15,802,532 | 15,525,614 |
| Market related | 34,076 | 11,848 | 340,761 | 118,482 |
| | 1,614,329 | 1,564,410 | 16,143,293 | 15,644,096 |
| Equity Exposure Risk in the Banking Book | | | | |
| Listed | 354,657 | 405,383 | 3,546,574 | 4,053,834 |
| Unlisted | 9,413 | 37,642 | 94,129 | 376,419 |
| | 364,070 | 443,025 | 3,640,703 | 4,430,253 |
| Total Credit Risk | 14,056,465 | 10,397,405 | 140,564,647 | 103,974,045 |
| Market Risk | | | | |
| Interest rate risk | 63,458 | 296,718 | 634,575 | 2,967,178 |
| Equity position risk etc. | 345,813 | 482,079 | 3,458,126 | 4,820,788 |
| Foreign exchange risk | 151,226 | 19,356 | 1,512,263 | 193,555 |
| Total Market Risk | 560,496 | 798,152 | 5,604,964 | 7,981,521 |
| Operational Risk | | | | |
| Capital Requirement for operational risks | 1,700,902 | 1,505,466 | 17,009,023 | 15,054,655 |
| Total | 16,317,863 | 12,701,022 | 163,178,634 | 127,010,221 |

| | 2017 | 2016 |
|--|-------------|-------------|
| ----- Rupees in '000 ----- | | |
| Total eligible common equity tier 1 capital held (e) | 14,588,320 | 14,199,110 |
| Total eligible tier 1 capital held (f) | 15,619,387 | 15,133,144 |
| Total eligible regulatory capital held (e) | 20,830,967 | 19,836,300 |
| Total Risk Weighted Assets (i) | 163,178,634 | 127,010,221 |

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| | December 31, 2017 | | December 31, 2016 | |
|-----------------------------|-------------------|--------|-------------------|--------|
| | Required | Actual | Required | Actual |
| CET1 to total RWA | 7.275% | 8.94% | 6.65% | 11.18% |
| Tier-1 capital to total RWA | 7.50% | 9.57% | 7.50% | 11.91% |
| Total capital to total RWA | 11.28% | 12.77% | 10.65% | 15.62% |

| | | 2017 | 2016 |
|------------------------------------|----------------|-------------|-------------|
| 43.8 Leverage Ratio | | | |
| Total eligible tier 1 capital held | Rupees in '000 | 15,619,387 | 15,133,144 |
| Total Exposure | Rupees in '000 | 463,731,398 | 327,711,191 |
| Leverage Ratio | | 3.37% | 4.62% |

44. 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:

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

Bank has a comprehensive set of Risk Management Policies, practices and procedures which enable the Bank to take into consideration, in an appropriate manner, all major kinds of risks mainly credit, market, liquidity, operational and IT security risks. Keeping in view the dynamics of internal and external environment, we regularly review and update our Risk Management policies and procedures in accordance with regulatory environment and international standards.

Risk Management activities remain at the forefront of all activities of the Bank which places the highest priority on conducting its business in a prudent manner in line with the relevant laws and regulatory requirements.

Risk management framework of Bank includes:

- Clearly defined risk management policies and procedures covering risk identification, acceptance, measurement, monitoring, reporting and control;
- Well constituted organizational structure, defining clearly roles and responsibilities of individuals involved in risk taking as well as managing it. The bank, in addition to risk management functions for various risk categories, has instituted an Integrated Risk Management Committee (IRMC) as well as Central Credit Committee (CCC). IRMC oversees the overall risk management at the bank and provide guidance in

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setting strategic targets as well as concentration limits and monitor progress related to earnings growth, keeping in view the capital constraints and also adhere to the concentration limits. The IRMC monitors the strategic target and aggregate limits at the Business Group level and concentration limits (by industry, geography, size, tenor) so that one category of assets or dimension of risk cannot materially harm the performance of the Bank. Whereas, Central Credit Committee (CCC) is entrusted with the responsibility of monitoring lending risk profile of the bank. CCC meets regularly to actively supervise credit risk across its lending portfolio;

- c) An effective management information system that ensures flow of information from operational level to top management and a system to address any exceptions observed; and
- d) A mechanism to ensure an ongoing review of systems, policies and procedures for risk management and procedures to adopt changes.

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

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

- Board Risk Management Committee (BRMC);
- Integrated Risk Management Committee (IRMC) which comprises of the President / Chief Executive Officer (CEO), Deputy CEO, Group Head Credit & Risk Management, Chief Financial Officer, Group Head Corporate & Retail Banking, Group Head Operations and Head of Compliance.
- Asset - Liability Committee which comprises of the President / Chief Executive Officer (CEO), Deputy CEO, Treasurer, Group Head Risk Management, Other Business Heads.
- Central Credit Committee comprising of the President / CEO, Deputy CEO, Group Head Credit & Risk Management, Chief Financial Officer and Group Head Corporate & Retail Banking.
- Operational Risk Steering Committee which comprises of the Group Head, Credit & Risk Management, Head of Operations, Head of Information Technology and Head of Compliance.
- Risk Management Group (RMG), a dedicated and independent set-up that comprises of Regional Credit Heads, Heads of Market & Liquidity Risks, Operational Risk and Treasury Middle Office.

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

- a) Credit Risk Management (CRM) covering Corporate / Commercial and Retail Banking Risks
- b) Operational Risk Management
- c) Market Risk Management (MRM)
- d) Treasury Middle Office
- e) Basel II / III Implementation Unit
- f) Credit Administration Department
- g) Special Assets Management (SAM)

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

Risk Matrix / Categories

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

Risk Appetite

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

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

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

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

44.1 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.

Credit risk management is an ongoing process. The overall credit policy and the credit risk instructions are issued by the Board of Directors. In this regards, a Central Credit Committee (CCC) is entrusted with the responsibility of monitoring lending risk profile of the bank. In order to maintain healthy growth of the credit portfolio, the Bank's Credit Risk Management processes are consistently upgraded and improved to meet future challenges.

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

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44.1.1 Segmental Information

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

44.1.1.1 Segment by class of business

| | 2017 | | | | | |
|---|---------------------|--------------|-------------------|--------------|----------------------------------|--------------|
| | Advances (gross) | | Deposits | | Contingencies and commitments | |
| | Rupees in '000 | Percent % | Rupees in '000 | Percent % | Rupees in '000 | Percent % |
| Agri finance | 2,584,965 | 1.38 | 7,017 | 0.00 | - | - |
| Automobile and transportation equipment | 3,599,906 | 1.93 | 2,935,187 | 1.02 | 2,680,780 | 2.47 |
| Brokerage | 2,681,932 | 1.43 | 563,083 | 0.20 | 625,700 | 0.58 |
| Cement | 209,356 | 0.11 | 1,955,604 | 0.68 | 1,357,619 | 1.25 |
| Chemical | 2,365,522 | 1.27 | 3,068,426 | 1.06 | 583,005 | 0.54 |
| Construction | 3,711,869 | 1.99 | 8,383,926 | 2.91 | 24,731,408 | 22.75 |
| Electronics and electrical appliances | 301,375 | 0.16 | 4,004,788 | 1.39 | 711,868 | 0.65 |
| Engineering, IT and other services | 4,639,050 | 2.48 | 16,666,461 | 5.78 | 2,850,006 | 2.62 |
| Fertilizer | 3,206,664 | 1.72 | 4,552,980 | 1.58 | 2,354,865 | 2.17 |
| Financial | 3,005,047 | 1.61 | 22,573,439 | 7.83 | 22,362,318 | 20.57 |
| Food / confectionery / beverages | 36,076,698 | 19.30 | 2,341,565 | 0.81 | 1,797,201 | 1.65 |
| Individuals | 20,158,317 | 10.79 | 86,970,986 | 30.16 | 2,796,610 | 2.57 |
| Insurance and security | 159,353 | 0.09 | 5,020,213 | 1.74 | 27,245 | 0.03 |
| Metal and steel | 6,477,004 | 3.47 | 311,126 | 0.11 | 3,220,008 | 2.96 |
| Mining and quarrying | 57,529 | 0.03 | 2,806,004 | 0.97 | 882,839 | 0.81 |
| Paper / board / furniture | 1,125,618 | 0.60 | 544,587 | 0.19 | 585,175 | 0.54 |
| Petroleum, oil and gas | 3,837,523 | 2.05 | 11,992,285 | 4.16 | 419,202 | 0.39 |
| Pharmaceuticals | 4,836,857 | 2.59 | 705,238 | 0.24 | 629,771 | 0.58 |
| Plastic | 1,898,580 | 1.02 | 27,871 | 0.01 | 350,709 | 0.32 |
| Power and water | 12,940,341 | 6.92 | 5,388,005 | 1.87 | 22,626,105 | 20.81 |
| Real estate | 1,767,479 | 0.95 | 217,142 | 0.08 | 68,352 | 0.06 |
| Rubber | - | - | 5,314 | 0.00 | 12,743 | 0.01 |
| Shipbreaking | 4,166,705 | 2.23 | 48,161 | 0.02 | 58,004 | 0.05 |
| Storage | 114,685 | 0.06 | 252,282 | 0.09 | - | - |
| Sugar | 2,176,604 | 1.16 | 219,343 | 0.08 | 117,518 | 0.11 |
| Telecommunication | 1,239,201 | 0.66 | 9,699,646 | 3.36 | 494,461 | 0.45 |
| Textile | | | | | | |
| Composite | 5,418,311 | 2.90 | 10,931 | 0.00 | 1,759,328 | 1.62 |
| Ginning | 1,310,409 | 0.70 | 53,415 | 0.02 | 275,140 | 0.25 |
| Spinning | 7,977,933 | 4.27 | 29,806 | 0.01 | 1,875,447 | 1.73 |
| weaving | 8,600,624 | 4.60 | 923,112 | 0.32 | 1,200,908 | 1.10 |
| | 23,307,277 | 12.47 | 1,017,264 | 0.35 | 5,110,823 | 4.70 |
| Transportation | 24,214,240 | 12.96 | 3,409,731 | 1.18 | - | - |
| Trust and non-profit organisations | 361,330 | 0.19 | 40,014,982 | 13.88 | 49,233 | 0.05 |
| Tyre | 278,180 | 0.15 | 191,114 | 0.07 | 81,506 | 0.08 |
| Wholesale and retail trade | 11,037,390 | 5.91 | 10,501,057 | 3.64 | 4,369,688 | 4.02 |
| Others | 4,363,891 | 2.32 | 41,970,187 | 14.54 | 6,750,518 | 6.21 |
| | 186,900,488 | 100 | 288,365,014 | 100 | 108,705,280 | 100 |

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| | 2016 | | | | | |
|---|---------------------|--------------|-------------------|--------------|----------------------------------|--------------|
| | Advances (gross) | | Deposits | | Contingencies and commitments | |
| | Rupees in '000 | Percent % | Rupees in '000 | Percent % | Rupees in '000 | Percent % |
| Agri finance | 1,510,356 | 1.57 | 112,058 | 0.05 | - | - |
| Automobile and transportation equipment | 1,958,955 | 2.03 | 2,365,241 | 1.05 | 981,223 | 1.23 |
| Brokerage | 3,937,097 | 4.08 | 1,876,867 | 0.83 | 258,798 | 0.32 |
| Cement | 844,558 | 0.88 | 4,211,769 | 1.87 | 245,496 | 0.31 |
| Chemical | 1,229,418 | 1.27 | 1,012,913 | 0.45 | 1,648,062 | 2.07 |
| Construction | 2,288,680 | 2.37 | 5,754,072 | 2.56 | 14,745,517 | 18.51 |
| Electronics and electrical appliances | 200,835 | 0.21 | 7,361,674 | 3.27 | 80,927 | 0.10 |
| Engineering, IT and other services | 1,092,591 | 1.13 | 9,413,690 | 4.18 | 2,752,056 | 3.45 |
| Fertilizer | 3,276,123 | 3.40 | 3,868,031 | 1.72 | 2,632,751 | 3.30 |
| Financial | 3,271,199 | 3.39 | 28,407,296 | 12.63 | 31,810,430 | 39.93 |
| Food / confectionery / beverages | 14,760,439 | 15.30 | 8,603,882 | 3.82 | 680,708 | 0.85 |
| Individuals | 8,032,695 | 8.33 | 70,871,762 | 31.50 | 427,849 | 0.54 |
| Insurance and security | 29,804 | 0.03 | 5,577,677 | 2.48 | 17,028 | 0.02 |
| Metal and steel | 3,441,932 | 3.57 | 1,127,398 | 0.50 | 2,019,820 | 2.54 |
| Mining and quarrying | 71,326 | 0.07 | 2,504,794 | 1.11 | - | - |
| Paper / board / furniture | 737,077 | 0.76 | 133,281 | 0.06 | 549,427 | 0.69 |
| Petroleum, oil and gas | 1,970,862 | 2.04 | 3,340,190 | 1.48 | 331,278 | 0.42 |
| Pharmaceuticals | 3,328,405 | 3.45 | 462,395 | 0.21 | 710,845 | 0.89 |
| Plastic | 1,684,546 | 1.75 | 64,557 | 0.03 | 373,088 | 0.47 |
| Power and water | 1,798,162 | 1.86 | 577,451 | 0.26 | 767,921 | 0.96 |
| Real estate | 1,662,335 | 1.72 | 117,573 | 0.05 | 97,391 | 0.12 |
| Rubber | - | - | 250,325 | 0.11 | - | - |
| Shipbreaking | 5,142,954 | 5.33 | 57,548 | 0.03 | 11,965 | 0.02 |
| Storage | - | - | 325,599 | 0.14 | - | - |
| Sugar | 2,981,865 | 3.09 | 893,435 | 0.40 | 196,992 | 0.25 |
| Tele-communication | 1,703,603 | 1.77 | 7,482,512 | 3.33 | 1,269,223 | 1.59 |
| Textile | | | | | | |
| Composite | 1,523,936 | 1.58 | 88,837 | 0.04 | 387,438 | 0.49 |
| Ginning | 356,199 | 0.37 | 3,055 | - | 274,963 | 0.35 |
| Spinning | 5,311,379 | 5.51 | 106,642 | 0.05 | 1,181,228 | 1.48 |
| weaving | 5,470,711 | 5.67 | 1,010,836 | 0.45 | 2,228,999 | 2.80 |
| | 12,662,225 | 13.13 | 1,209,370 | 0.54 | 4,072,628 | 5.12 |
| Transportation | 4,235,834 | 4.39 | 4,571,854 | 2.03 | 39,117 | 0.05 |
| Trust and non-profit organisations | 289,779 | 0.30 | 26,118,955 | 11.61 | 2,000 | - |
| Tyre | 173,285 | 0.18 | 101,377 | 0.05 | 155,748 | 0.20 |
| Wholesale and retail trade | 4,272,828 | 4.43 | 3,403,998 | 1.51 | 460,082 | 0.58 |
| Others | 7,882,079 | 8.17 | 22,825,111 | 10.14 | 12,335,587 | 15.47 |
| | 96,471,847 | 100 | 225,004,655 | 100 | 79,673,957 | 100 |

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44.1.1.2 Segment by sector

| | 2017 | | | | | |
|---------------------|--------------------|------------|--------------------|------------|-------------------------------|------------|
| | Advances (gross) | | Deposits | | Contingencies and commitments | |
| | Rupees in '000 | Percent % | Rupees in '000 | Percent % | Rupees in '000 | Percent % |
| Public / Government | 37,342,990 | 19.98 | 49,068,231 | 17.02 | - | - |
| Private | 149,557,498 | 80.02 | 239,296,783 | 82.98 | 108,705,280 | 100.00 |
| | 186,900,488 | 100 | 288,365,014 | 100 | 108,705,280 | 100 |
| | 2016 | | | | | |
| | Advances (gross) | | Deposits | | Contingencies and commitments | |
| | Rupees in '000 | Percent % | Rupees in '000 | Percent % | Rupees in '000 | Percent % |
| Public / Government | 4,999,999 | 5.18 | 33,490,281 | 14.88 | - | - |
| Private | 91,471,848 | 94.82 | 191,514,374 | 85.12 | 79,673,957 | 100.00 |
| | 96,471,847 | 100 | 225,004,655 | 100 | 79,673,957 | 100 |

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

| | 2017 | | 2016 | |
|---|---------------------|--------------------------|---------------------|--------------------------|
| | Classified advances | Specific provisions held | Classified advances | Specific provisions held |
| ----- Rupees in '000 ----- | | | | |
| Automobile and transportation equipment | 74,875 | 61,875 | 61,875 | 61,875 |
| Engineering, IT and other services | 21,683 | 16,857 | 183,711 | 183,711 |
| Brokerage | 167,596 | 167,596 | - | - |
| Fertilizer | 1,260,418 | 1,260,418 | 1,258,256 | 1,258,256 |
| Food | 134,370 | 79,968 | 110,138 | 91,398 |
| Individuals | 364,142 | 75,397 | 254,433 | 68,352 |
| Metal and steel | 154,067 | 23,161 | 139,892 | 8,208 |
| Power and water, oil and gas | 21,448 | 21,448 | 21,448 | 21,448 |
| Ship breaking | 157,926 | 125,658 | 157,926 | 98,814 |
| Sugar | 200,000 | 200,000 | 200,000 | 100,000 |
| Tele-communication | - | - | 172,628 | - |
| Textile | | | | |
| Composite | 315,665 | 304,153 | 373,211 | 370,462 |
| Ginning | 29,999 | - | - | - |
| Spinning | 278,441 | 278,441 | 278,441 | 278,441 |
| Weaving | 3,500 | - | - | - |
| | 627,605 | 582,594 | 651,652 | 648,903 |
| Transportation services | 22,928 | 17,681 | 13,348 | 13,348 |
| Wholesale and retail trade | 14,360 | 6,307 | 44,573 | 32,282 |
| Others | 36,579 | - | 58,062 | 31,758 |
| | 3,257,997 | 2,638,960 | 3,327,942 | 2,618,353 |

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

| | | | | |
|---------------------|------------------|------------------|------------------|------------------|
| Public / Government | - | - | - | - |
| Private | 3,257,997 | 2,638,960 | 3,327,942 | 2,618,353 |
| | 3,257,997 | 2,638,960 | 3,327,942 | 2,618,353 |

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44.1.1.5 Geographical segment analysis

| | 2017 | | 2016 | |
|----------------------------|-----------------------|---------------------|-----------------------|---------------------|
| | Total assets employed | Net assets employed | Total assets employed | Net assets employed |
| ----- Rupees in '000 ----- | | | | |
| Pakistan | 383,634,982 | 19,130,072 | 264,559,000 | 19,497,720 |
| Bahrain | 7,318,894 | 537,842 | 4,266,591 | 264,674 |
| | 390,953,876 | 19,667,914 | 268,825,591 | 19,762,394 |

| | 2017 | | 2016 | |
|----------------------------|------------------------|-------------------------------|------------------------|-------------------------------|
| | Profit before taxation | Contingencies and commitments | Profit before taxation | Contingencies and commitments |
| ----- Rupees in '000 ----- | | | | |
| Pakistan | 1,618,309 | 106,990,038 | 3,841,612 | 78,454,905 |
| Bahrain | 244,368 | 1,715,242 | 12,508 | 1,219,052 |
| | 1,862,677 | 108,705,280 | 3,854,120 | 79,673,957 |

44.1.2 Credit risk: Standardised approach

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

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

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

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

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Long - Term Ratings Grades Mapping

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

Short - Term Ratings Grades Mapping

| SBP | PACRA | JCR-VIS | Fitch | Moody's | S&P |
|-----|--------|---------|--------|---------|-----------|
| S1 | A-1 | A-1 | F-1 | P-1 | A-1+, A-1 |
| S2 | A-2 | A-2 | F-2 | P-2 | A-2 |
| S3 | A-3 | A-3 | F-3 | P-3 | A-3 |
| S4 | Others | Others | Others | Others | Others |

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44.1.2.1 Credit exposures and comparative figures subject to the standardised approach

| Exposures | Rating category No. | Rating risk weighted | 2017 | | | Risk weighted asset |
|---|------------------------|----------------------|--------------------|-----------------|-------------|---------------------|
| | | | Amount outstanding | Deduction CRM * | Net amount | |
| ----- Rupees in '000 ----- | | | | | | |
| Cash and Cash Equivalents | | 0% | 4,727,659 | - | 4,727,659 | - |
| Corporate | 0 | 0% | - | - | - | - |
| | 1 | 20% | 5,500,567 | (395,068) | 5,895,635 | 1,179,127 |
| | 2 | 50% | 17,441,491 | 1,465,077 | 15,976,414 | 7,988,207 |
| | 3,4 | 100% | 5,788,035 | 469,847 | 5,318,188 | 5,318,188 |
| | 5,6 | 150% | 37,696 | - | 37,696 | 56,545 |
| | Unrated | 100% | 58,318,493 | 7,980,335 | 50,338,157 | 50,338,157 |
| | Unrated-2 | 125% | 10,708,740 | 2,171,901 | 8,536,839 | 10,671,048 |
| | | | 97,795,022 | 11,692,092 | 86,102,929 | 75,551,272 |
| Retail | | 0% | - | - | - | - |
| | | 20% | - | - | - | - |
| | | 50% | - | (12,177) | 12,177 | 6,089 |
| | | 75% | 40,599,287 | 3,282,236 | 37,317,051 | 27,987,788 |
| | | | 40,599,287 | 3,270,059 | 37,329,228 | 27,993,877 |
| Banks | | | | | | |
| - Over 3 Months | | 0% | - | - | - | - |
| | 1 | 20% | 1,789,294 | (1,675) | 1,790,969 | 358,194 |
| | 2,3 | 50% | 2,584,221 | 298,661 | 2,285,560 | 1,142,780 |
| | 4,5 | 100% | 1,536,984 | - | 1,536,984 | 1,536,984 |
| | 6 | 150% | - | - | - | - |
| | Unrated | 50% | 2,076,819 | 1,512,305 | 564,514 | 282,257 |
| | | | 7,987,318 | 1,809,291 | 6,178,027 | 3,320,215 |
| - Maturity Upto and under 3 Months in FCY | 1,2,3 | 0% | - | - | - | - |
| | 4,5 | 20% | 1,857,790 | (106,218) | 1,964,008 | 392,802 |
| | 6 | 50% | 79,142 | (36,934) | 116,075 | 58,038 |
| | unrated | 150% | - | - | - | - |
| | | 20% | 598,384 | (373,803) | 972,187 | 194,437 |
| | | | 2,535,316 | (516,955) | 3,052,270 | 645,277 |
| - Maturity Upto and under 3 Months in PKR | | 0% | - | - | - | - |
| - Maturity Upto and under 3 Months in PKR | | 20% | 420,166 | - | 420,166 | 84,033 |
| | | | 420,166 | - | 420,166 | 84,033 |
| Residential Mortgage Finance | | 35% | 7,010,492 | - | 7,010,492 | 2,453,672 |
| Public Sector Entity | | | | | | |
| | 1 | 0% | - | - | - | - |
| | 2,3 | 20% | 565,234 | - | 565,234 | 113,047 |
| | 4,5 | 50% | - | - | - | - |
| | 6 | 100% | - | - | - | - |
| | Unrated | 150% | - | - | - | - |
| | | 50% | 37,779,610 | 37,134,848 | 644,762 | 322,381 |
| | | | 38,344,844 | - | 1,209,996 | 435,428 |
| Sovereigns (SBP / GoP) | | 0% | 164,850,356 | 85,584 | 164,763,708 | 1,586,600 |
| Equity Investments - Listed | | 100% | 3,546,574 | - | 3,546,574 | 3,546,574 |
| - Unlisted | | 150% | 62,752 | - | 62,752 | 94,129 |
| Significant Investment and DTA | | 250% | - | - | - | - |
| | | | 3,609,326 | - | 3,609,326 | 3,640,703 |
| Past Due Loans (Not Secured by Residential Mortgages) | S.P less than 20% | 150% | 341,754 | - | 341,754 | 512,631 |
| | S.P between 20% to 50% | 100% | 241,604 | - | 241,604 | 241,604 |
| | S.P greater than 50% | 50% | 35,677 | - | 35,677 | 17,839 |
| | | | 619,035 | - | 619,035 | 772,074 |
| Investment in fixed assets | | 100% | 5,590,406 | - | 5,590,406 | 5,590,406 |
| Other assets | | 100% | 2,347,797 | - | 2,347,797 | 2,347,797 |
| Total | | | 376,437,024 | 16,340,071 | 322,961,039 | 124,421,354 |

* Credit Risk Mitigation (CRM)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

Credit exposures subject to Standardised approach

| Exposures | Rating category No. | Rating risk weighted | 2016 | | Risk weighted asset |
|--|------------------------|----------------------|--------------------|-----------------|---------------------|
| | | | Amount outstanding | Deduction CRM * | |
| | | | Rupees in '000 | | |
| Cash and Cash Equivalents | | 0% | 3,509,913 | - | 3,509,913 |
| Corporate | | | | | |
| | 0 | 0% | - | - | - |
| | 1 | 20% | 4,632,415 | - | 4,632,415 |
| | 2 | 50% | 1,179,061 | 515,029 | 664,033 |
| | 3,4 | 100% | 1,146,866 | 304,406 | 842,461 |
| | 5,6 | 150% | 28,184 | - | 28,184 |
| | Unrated | 100% | 52,134,459 | 6,807,878 | 45,326,581 |
| | Unrated-2 | 125% | 8,542,609 | 741,427 | 7,801,182 |
| | | | 67,663,594 | 8,368,740 | 59,294,856 |
| Retail | | | | | |
| | | 0% | - | - | - |
| | | 20% | - | - | - |
| | | 50% | - | - | - |
| | | 75% | 15,755,180 | 2,029,933 | 13,725,247 |
| | | | 15,755,180 | 2,029,933 | 13,725,247 |
| Banks | | | | | |
| - Maturity over 3 Months | | | | | |
| | | 0% | - | - | - |
| | 1 | 20% | 1,194,772 | (1,311) | 1,196,082 |
| | 2,3 | 50% | 2,486,858 | 350,301 | 2,136,558 |
| | 4,5 | 100% | 446,671 | - | 446,671 |
| | 6 | 150% | - | - | - |
| | Unrated | 50% | 300,851 | - | 300,851 |
| | | | 4,429,152 | 348,990 | 4,080,162 |
| - Maturity Upto and under 3 Months in FCY | | | | | |
| | | 0% | - | - | - |
| | 1,2,3 | 20% | 1,984,117 | (415) | 1,984,532 |
| | 4,5 | 50% | - | - | - |
| | 6 | 150% | 49,300 | - | 49,300 |
| | unrated | 20% | 257,626 | - | 257,626 |
| | | | 2,291,043 | (415) | 2,291,458 |
| - Maturity upto and under 3 months in PKR | | | | | |
| | | 0% | 8,702,731 | 3,686,267 | 5,016,465 |
| | | 20% | 2,317,649 | 57,067 | 2,260,582 |
| | | | 11,020,380 | 3,743,334 | 7,277,047 |
| Residential Mortgage Finance | | 35% | 2,540,476 | - | 2,540,476 |
| Public Sector Entity | | | | | |
| | | 0% | - | - | - |
| | 1 | 20% | 1,991,822 | - | 1,991,822 |
| | 2,3 | 50% | - | - | - |
| | 4,5 | 100% | - | - | - |
| | 6 | 150% | - | - | - |
| | Unrated | 50% | 5,700,952 | 5,056,319 | 644,633 |
| | | | 7,692,774 | 5,056,319 | 2,636,455 |
| Sovereigns (SBP / GoP) | | | | | |
| | | 0% | 60,558,616 | - | 60,558,616 |
| | | 20% | - | - | - |
| | | 50% | 166,159 | - | 166,159 |
| | | 100% | 3,358,392 | - | 3,358,392 |
| | | | 64,083,167 | - | 64,083,167 |
| Equity Investments - Listed | | 100% | 4,053,834 | - | 4,053,834 |
| - Unlisted | | 150% | 250,946 | - | 250,946 |
| Significant Investment and DTA | | 250% | - | - | - |
| | | | 4,304,780 | - | 4,304,780 |
| Past Due Loans (Not Secured by Residential Mortgages) | | | | | |
| | S.P less than 20% | 150% | 409,704 | - | 409,704 |
| | S.P between 20% to 50% | 100% | 240,265 | - | 240,265 |
| | S.P greater than 50% | 50% | 59,620 | - | 59,620 |
| | | | 709,589 | - | 709,589 |
| Investment in fixed assets | | 100% | 4,155,640 | - | 4,155,640 |
| Other assets | | 100% | 3,177,281 | - | 3,177,281 |
| Total | | | 191,332,969 | 19,546,901 | 171,786,071 |

* Credit Risk Mitigation (CRM)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

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

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

Under Bank's policy all collaterals are subject to periodic valuations to monitor the adequacy of margins held. Shares / Marketable securities are valued by the Bank on daily 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.

44.2 Equity position risk in the banking book

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

44.3 Market risk

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

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

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

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

Risk reporting undertaken by the market risk function includes:

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

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

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

44.3.2 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

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

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

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

| 2017 | | | | |
|----------------------------|--------------------|----------------------------|-------------------------------------|-------------------|
| Assets | Liabilities | Off-balance sheet items | Net foreign currency exposure | |
| ----- Rupees in '000 ----- | | | | |
| Pakistan Rupee | 372,781,791 | 352,638,679 | 228,778 | 20,371,890 |
| United States Dollar | 16,159,391 | 14,305,112 | (1,405,232) | 449,047 |
| Great Britain Pound | 1,147,121 | 3,735,250 | 2,546,068 | (42,061) |
| Euro | 778,748 | 738,975 | (100,213) | (60,440) |
| Other currencies | 86,825 | 137,143 | (28,235) | (78,553) |
| | 18,172,085 | 18,916,480 | 1,012,388 | 267,993 |
| | 390,953,876 | 371,555,159 | 1,241,166 | 20,639,883 |
| 2016 | | | | |
| Assets | Liabilities | Off-balance sheet items | Net foreign currency exposure | |
| ----- Rupees in '000 ----- | | | | |
| Pakistan Rupee | 254,457,373 | 235,096,489 | 228,778 | 19,589,662 |
| United States Dollar | 12,520,840 | 9,640,001 | (2,701,681) | 179,158 |
| Great Britain Pound | 314,656 | 1,461,624 | 1,122,628 | (24,340) |
| Euro | 326,070 | 1,650,304 | 1,327,343 | 3,109 |
| Other currencies | 1,206,652 | 1,214,779 | 22,932 | 14,805 |
| | 14,368,218 | 13,966,708 | (228,778) | 172,732 |
| | 268,825,591 | 249,063,197 | - | 19,762,394 |

44.3.3 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

44.3.4 Mismatch of interest rate sensitive assets and liabilities

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. The Bank is exposed to interest / mark-up rate risk as a result of mismatches or gaps in the amount of interest / mark up based assets and liabilities that mature or re-price in a given period. The Bank manages this risk by matching/re-pricing of assets and liabilities. The assets and liabilities committee (ALCO) of the Bank monitors and manages the interest rate risk with the objective of limiting the potential adverse effects on the profitability of the Bank.

| Effective yield interest rate - % | 2017 | | | | | | | | | | | Non-interest bearing financial instrument | |
|-----------------------------------|--------------|---------------|--------------------|--------------------|-------------------------|-------------------|-------------------|-------------------|--------------------|----------------|---|---|--------------|
| | Total | Up to 1 month | Over 1 to 3 months | Over 3 to 6 months | Over 6 months to 1 year | Over 1 to 2 years | Over 2 to 3 years | Over 3 to 5 years | Over 5 to 10 years | Above 10 years | | | |
| | 17,334,111 | 1,890,381 | - | - | - | - | - | - | - | - | - | - | 15,443,730 |
| | 1,049,496 | 188,987 | - | - | - | - | - | - | - | - | - | - | 860,509 |
| 0 - 6.25 | 3,116,199 | 1,281,177 | 1,181,464 | 653,558 | - | - | - | - | - | - | - | - | - |
| 1.38 - 6.93 | 170,288,835 | 10,674,488 | 10,828,812 | 2,944,155 | 1,378,498 | 87,666,361 | 17,987,185 | 30,288,933 | 2,433,702 | - | - | - | 6,086,701 |
| 2.88 - 12.00 | 184,161,175 | 125,644,234 | 17,567,979 | 23,960,133 | 3,371,024 | 4,567,373 | 3,361,651 | 2,391,316 | 925,085 | - | - | - | 555,884 |
| 4.00 - 40.00 | 6,471,905 | - | - | - | - | - | - | - | - | - | - | - | 6,471,905 |
| | 382,421,721 | 199,679,267 | 29,578,255 | 27,557,846 | 4,749,522 | 92,233,734 | 21,348,836 | 32,680,249 | 3,358,787 | 1,753,343 | - | - | 29,418,729 |
| | 3,824,278 | - | - | - | - | - | - | - | - | - | - | - | 3,824,278 |
| 1.00 - 6.20 | 64,557,043 | 49,788,126 | 8,092,537 | 5,204,967 | 14,289 | 31,234 | 16,839 | 464,313 | 934,738 | - | - | - | - |
| 0.75 - 11.00 | 288,365,014 | 103,912,554 | 37,778,647 | 37,710,625 | 32,621,440 | 1,949,163 | 850,207 | 70,674 | - | - | - | - | 73,471,704 |
| 7.57 - 7.61 | 4,998,800 | - | - | 4,998,800 | - | - | - | - | - | - | - | - | - |
| | 5,032 | 94 | 191 | 290 | 590 | 1,225 | 636 | 2,006 | - | - | - | - | 8,848,854 |
| | 8,848,854 | - | - | - | - | - | - | - | - | - | - | - | 8,848,854 |
| | 370,599,021 | 153,710,774 | 45,871,375 | 47,914,682 | 32,636,319 | 1,981,622 | 867,682 | 536,993 | 984,738 | - | - | - | 86,144,836 |
| | 11,822,700 | (14,031,507) | (16,298,120) | (20,356,836) | (27,886,797) | 90,252,112 | 20,481,154 | 32,143,256 | 2,424,049 | 1,753,343 | - | - | (66,662,954) |
| | 30,348,378 | 4,474,661 | 1,557,991 | 21,879,036 | 888,207 | 752,858 | 530,417 | 265,208 | - | - | - | - | - |
| | (9,344,185) | (4,100,495) | (1,187,366) | (58,117) | (2,464,363) | (738,217) | (530,417) | (265,208) | - | - | - | - | - |
| | 21,004,193 | 374,166 | 370,623 | 21,820,919 | (1,576,156) | 14,641 | - | - | - | - | - | - | - |
| | (13,657,341) | (15,922,497) | 1,464,083 | (29,462,953) | 90,266,753 | 20,481,154 | 32,143,256 | 2,424,049 | 1,753,343 | - | - | - | (66,662,954) |
| | (13,657,341) | (29,579,838) | (28,115,755) | (57,578,708) | 32,688,045 | 53,169,199 | 85,312,455 | 87,736,504 | 89,489,847 | - | - | - | - |

----- Rupees in '000 -----

On-balance sheet financial instruments

Assets

Cash and balances with

treasury banks

Balances with other banks

Lending to financial institutions

Investments

Advances

Other assets

Liabilities

Bills payable

Borrowings

Deposits and other accounts

Sub-ordinated loans

Liabilities against assets

subject to finance lease

Other liabilities

On-balance sheet financial instruments

Commitments in respect of forward purchase, currency swaps, options and commitments to extent credits

Commitments in respect of forward sale, currency swaps and options

Off-balance sheet gap

Total yield / interest risk sensitivity gap

Cumulative yield / interest risk sensitivity gap

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

| | | 2016 | | | | | | | | | | Non-interest bearing financial instrument | | |
|---|--------------|--------------|---------------|--------------------|--------------------|------------------|-------------------|-------------------|-------------------|--------------------|----------------|---|-------------|-------------|
| 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 | | | |
| ----- Rupees in '000 ----- | | | | | | | | | | | | | | |
| On-balance sheet financial instruments | | | | | | | | | | | | | | |
| Assets | | | | | | | | | | | | | | |
| Cash and balances with treasury banks | - | 15,609,263 | 1,385,332 | - | - | - | - | - | - | - | - | 14,123,931 | | |
| Balances with other banks | 0 - 6.5 | 767,747 | 252,130 | - | - | - | - | - | - | - | - | 515,617 | | |
| Lending to financial institutions | 0.17 - 6.1 | 11,334,414 | 10,654,523 | 522,993 | 156,898 | - | - | - | - | - | - | - | | |
| Investments - net | 2.92 - 12.00 | 135,039,901 | 15,796,374 | 53,160,239 | 1,203,367 | 8,311,027 | 10,982,102 | 27,979,249 | 7,614,260 | 2,235,896 | - | 7,756,367 | | |
| Advances - net | 0.4 - 39 | 93,812,506 | 67,02,014 | 7,858,801 | 5,194,022 | 1,794,466 | 2,568,462 | 2,525,965 | 2,340,457 | 980,250 | - | 7,09,589 | | |
| Other assets | - | 5,445,955 | - | - | - | - | - | - | - | - | - | 5,445,955 | | |
| | | 261,908,786 | 95,790,373 | 61,542,033 | 6,554,287 | 10,105,493 | 13,550,564 | 30,505,234 | 9,954,717 | 3,216,146 | 2,138,460 | 28,551,479 | | |
| Liabilities | | | | | | | | | | | | | | |
| Bills payable | - | 2,544,028 | - | - | - | - | - | - | - | - | - | 2,544,028 | | |
| Borrowings | 1.8 - 6.00 | 10,320,047 | 2,408,622 | 4,194,410 | 2,910,121 | 10,211 | 20,422 | 31,437 | 234,580 | 468,716 | - | 40,528 | | |
| Deposits and other accounts | 0.1 - 9.11 | 225,004,655 | 88,227,384 | 31,651,681 | 33,769,494 | 16,212,383 | 403,922 | 127,844 | 605,424 | - | - | 54,006,523 | | |
| Sub-ordinated loans | 7.53 | 3,000,000 | - | - | 3,000,000 | - | - | - | - | - | - | - | | |
| Other liabilities | - | 7,111,584 | - | - | - | - | - | - | - | - | - | 7,111,584 | | |
| | | 247,980,314 | 90,636,006 | 35,846,091 | 39,679,615 | 16,222,594 | 424,344 | 159,281 | 840,004 | 468,716 | - | 63,702,663 | | |
| | | 13,928,472 | 5,154,367 | 25,695,942 | (33,125,328) | (6,117,101) | 13,126,220 | 30,345,953 | 9,114,713 | 2,746,430 | 2,138,460 | (35,151,184) | | |
| Off-balance sheet financial instruments | | | | | | | | | | | | | | |
| Commitments in respect of forward purchase contacts and commitments to extent credits | - | 14,738,729 | 9,457,255 | 3,355,355 | 1,021,239 | 384,430 | 312,650 | 207,800 | - | - | - | - | | |
| Commitments in respect of forward exchange contracts - sale | - | (15,679,540) | (13,918,445) | (977,889) | (232,768) | (229,988) | (312,650) | (207,800) | - | - | - | - | | |
| | | (1,140,811) | (4,461,190) | 2,377,466 | 788,471 | 154,442 | - | - | - | - | - | - | | |
| Total yield / interest risk sensitivity gap | | 693,177 | 28,073,408 | (32,336,657) | (5,962,659) | 13,126,220 | 30,345,953 | 9,114,713 | 2,746,430 | 2,138,460 | 2,138,460 | (35,151,184) | | |
| Cumulative yield / interest risk sensitivity gap | | | | | | | | | | | | | | |
| | | 693,177 | 28,766,655 | (3,570,272) | (9,532,931) | 3,593,289 | 33,939,242 | 43,053,955 | 45,800,385 | 47,939,845 | - | - | | |
| ----- Rupees in '000 ----- | | | | | | | | | | | | | | |
| | | 2017 | 2016 | | | | | | | | | | 2017 | 2016 |
| ----- Rupees in '000 ----- | | | | | | | | | | | | | | |
| Reconciliation to total assets | | 390,953,876 | 268,825,591 | | | | | | | | | | 371,285,962 | 249,063,197 |
| Balance as per balance sheet | | | | | | | | | | | | | | |
| Less: Non financial assets | | | | | | | | | | | | | | |
| Operating fixed assets | | 7,589,702 | 6,021,563 | | | | | | | | | | - | 1,082,885 |
| Deferred tax assets - net | | - | - | | | | | | | | | | 686,941 | 1,082,885 |
| Other assets | | 942,453 | 885,244 | | | | | | | | | | - | - |
| | | 8,532,155 | 6,916,807 | | | | | | | | | | 370,599,021 | 247,980,312 |
| | | 382,421,721 | 261,908,784 | | | | | | | | | | | |
| Reconciliation to total liabilities | | | | | | | | | | | | | | |
| Balance as per balance sheet | | | | | | | | | | | | | | |
| Less: Non financial liabilities | | | | | | | | | | | | | | |
| Deferred tax liabilities - net | | - | - | | | | | | | | | | - | - |
| | | - | - | | | | | | | | | | - | - |
| | | 686,941 | 1,082,885 | | | | | | | | | | | |
| | | 370,599,021 | 247,980,312 | | | | | | | | | | | |

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

44.4

Liquidity risk

Liquidity risk is the risk that the Bank will not be able to raise funds to meet its commitments. The Bank's Asset and Liability Committee (ALCO) manages the liquidity position on a continuous basis. Bank's policy to liquidity management is to maintain adequate liquidity at all times and in all currencies under both normal and stress conditions, to meet our contractual and potential payment obligations without incurring additional and unacceptable cost to the business.

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

For monitoring and controlling liquidity risk, the Bank generates a scenario sensitive maturity statement of financial position, and run controlled mismatches that are monitored and discussed by ALCO members regularly. The Bank prepares various types of reports and analysis for assisting ALCO in taking necessary strategic actions for managing liquidity risk in the Bank. These include liquidity ratios, Concentration analysis, Gap reports, Stress testing, Liquidity Coverage ratio & Net Stable Funding Ratio analysis etc.

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

| | 2017 | | | | | | | | | |
|---|-------------|---------------|--------------------|--------------------|-------------------------|-------------------|-------------------|-------------------|--------------------|----------------|
| | Total | Upto 1 month | Over 1 to 3 months | Over 3 to 6 months | Over 6 months to 1 year | Over 1 to 2 years | Over 2 to 3 years | Over 3 to 5 years | Over 5 to 10 years | Above 10 years |
| Assets | | | | | | | | | | |
| Cash and balances with treasury banks | 17,334,111 | 17,334,111 | - | - | - | - | - | - | - | - |
| Balances with other banks | 1,049,496 | 1,049,496 | - | - | - | - | - | - | - | - |
| Lendings to financial institutions | 3,116,199 | 1,281,177 | 1,181,464 | 653,558 | - | - | - | - | - | - |
| Investments | 170,288,835 | 10,518,903 | 15,940,309 | 3,018,365 | 1,557,634 | 87,513,881 | 18,432,455 | 30,873,586 | 2,433,702 | - |
| Advances | 184,161,175 | 32,623,701 | 27,637,210 | 32,610,366 | 27,473,905 | 14,460,355 | 16,168,765 | 24,280,105 | 6,102,823 | 2,803,945 |
| Operating fixed assets | 7,589,702 | 71,180 | 424,177 | 186,946 | 376,780 | 663,888 | 516,817 | 855,095 | 1,236,982 | 3,257,837 |
| Deferred tax assets - net | - | - | - | - | - | - | - | - | - | - |
| Other assets | 7,414,358 | 5,005,610 | 10,002 | 339,729 | 308,743 | 527,294 | 443,771 | 740,982 | 38,227 | - |
| | 390,953,876 | 67,884,178 | 45,193,162 | 36,808,964 | 29,717,062 | 103,165,418 | 35,561,808 | 56,749,768 | 9,811,734 | 6,061,782 |
| Liabilities | | | | | | | | | | |
| Billis payable | 3,824,278 | 3,824,278 | - | - | - | - | - | - | - | - |
| Borrowings | 64,557,043 | 49,798,126 | 8,092,537 | 5,204,967 | 14,289 | 31,234 | 16,839 | 464,313 | 934,738 | - |
| Deposits and other accounts | 288,365,014 | 173,417,054 | 37,778,647 | 41,677,829 | 32,621,440 | 1,949,163 | 850,207 | 70,674 | - | - |
| Sub-ordinated loans | 4,998,800 | - | - | 1,000 | 1,000 | 2,000 | 2,000 | 4,001 | 4,988,799 | - |
| Liabilities against assets subject to finance lease | 5,032 | 94 | 191 | 290 | 590 | 1,225 | 636 | 2,006 | - | - |
| Deferred tax liabilities - net | 686,941 | 4,829 | 2,117 | 22,738 | 2,513 | (121,245) | 19,444 | 6,707 | 49,857 | 699,981 |
| Other liabilities | 8,848,854 | 5,312,891 | 206,421 | 145,426 | 272,466 | 1,020,464 | 1,280,411 | 610,775 | - | - |
| | 371,285,962 | 232,357,272 | 46,079,913 | 47,052,250 | 32,912,298 | 2,882,841 | 2,169,537 | 1,158,476 | 5,973,394 | 699,981 |
| Net assets | 19,667,914 | (164,473,094) | (866,751) | (10,243,286) | (3,195,236) | 100,282,577 | 33,392,271 | 55,591,292 | 3,838,340 | 5,361,801 |
| Share capital | 10,724,643 | | | | | | | | | |
| Discount on issue of shares | (2,105,401) | | | | | | | | | |
| Preference Share | 1,500,000 | | | | | | | | | |
| Statutory reserve | 1,540,987 | | | | | | | | | |
| Unappropriated profit | 5,463,357 | | | | | | | | | |
| Non-controlling interest | 1,463,454 | | | | | | | | | |
| Surplus on revaluation of assets - net | 1,080,874 | | | | | | | | | |
| | 19,667,914 | | | | | | | | | |

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

| | 2016 | | | | | | | | |
|---|--------------|--------------------|--------------------|------------------|-------------------|-------------------|-------------------|--------------------|----------------|
| | Upto 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 |
| Assets | | | | | | | | | |
| Cash and balances with treasury banks | 15,509,263 | - | - | - | - | - | - | - | - |
| Balances with other banks | 767,747 | - | - | - | - | - | - | - | - |
| Lending to financial institutions | 10,664,523 | 522,993 | 156,898 | - | - | - | - | - | - |
| Investments | 135,038,901 | 56,557,260 | 1,135,734 | 9,206,256 | 11,227,289 | 28,209,435 | 7,794,633 | 2,235,896 | - |
| Advances | 93,812,506 | 8,627,638 | 5,577,305 | 3,889,057 | 5,504,828 | 5,115,687 | 3,980,740 | 2,594,935 | 2,138,460 |
| Operating fixed assets | 6,021,563 | 340,206 | 164,884 | 325,949 | 545,490 | 415,376 | 591,637 | 614,264 | 2,950,114 |
| Deferred tax assets - net | - | - | - | 304,036 | 272,131 | - | 96,310 | 23,609 | - |
| Other assets | 6,341,197 | 66,048,097 | 7,034,821 | 13,725,298 | 17,549,738 | 34,128,176 | 12,463,320 | 5,408,704 | 5,088,574 |
| | 268,825,591 | 107,378,863 | 7,034,821 | 13,725,298 | 17,549,738 | 34,128,176 | 12,463,320 | 5,408,704 | 5,088,574 |
| Liabilities | | | | | | | | | |
| Bills payable | 2,544,028 | - | - | - | - | - | - | - | - |
| Borrowings | 10,320,047 | 4,194,409 | 2,910,121 | 10,211 | 20,422 | 31,437 | 234,580 | 489,716 | - |
| Deposits and other accounts | 225,004,655 | 31,651,693 | 37,954,631 | 16,212,383 | 403,922 | 127,844 | 605,424 | - | - |
| Sub-ordinated loans | 3,000,000 | - | 600 | 600 | 1,200 | 1,200 | 2,400 | 2,994,000 | - |
| Liabilities against assets subject to finance lease | - | - | - | - | - | - | - | - | - |
| Deferred tax liabilities - net | 1,082,885 | - | - | - | - | 1,082,885 | - | - | - |
| Other liabilities | 7,111,582 | 3,022,494 | 31,814 | 101,218 | 424,195 | 941,680 | 267,282 | 93,915 | - |
| | 249,063,197 | 38,868,596 | 40,897,166 | 16,324,412 | 849,739 | 2,185,046 | 1,109,686 | 3,557,631 | - |
| Net assets | 19,762,394 | (37,892,058) | 27,179,501 | (2,599,114) | 16,699,999 | 31,943,130 | 11,353,634 | 1,851,073 | 5,088,574 |
| Share capital | 10,724,643 | - | - | - | - | - | - | - | - |
| Discount on issue of shares | (2,105,401) | - | - | - | - | - | - | - | - |
| Preference shares | 1,500,000 | - | - | - | - | - | - | - | - |
| Statutory reserve | 1,334,139 | - | - | - | - | - | - | - | - |
| Unappropriated profit | 3,973,324 | - | - | - | - | - | - | - | - |
| Surplus on revaluation of assets - net | 1,222,820 | - | - | - | - | - | - | - | - |
| | 16,649,525 | - | - | - | - | - | - | - | - |

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

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

| | | 2017 | | | | | | | | | |
|---|--------------------|--------------------|--------------------|--------------------|-------------------------|-------------------|-------------------|-------------------|--------------------|----------------|---|
| | | Upto 1 month | Over 1 to 3 months | Over 3 to 6 months | Over 6 months to 1 year | Over 1 to 2 years | Over 2 to 3 years | Over 3 to 5 years | Over 5 to 10 years | Above 10 years | |
| | | Rupees in '000 | | | | | | | | | |
| Assets | | | | | | | | | | | |
| Cash and balances with treasury banks | 17,334,111 | - | - | - | - | - | - | - | - | - | - |
| Balances with other banks | 1,049,496 | - | - | - | - | - | - | - | - | - | - |
| Lendings to financial institutions | 3,116,199 | 1,181,464 | 653,558 | 1,557,634 | 87,513,881 | 18,432,455 | 30,873,586 | 2,433,702 | - | - | |
| Investments | 170,288,835 | 15,940,309 | 3,018,365 | 32,014,489 | 13,088,475 | 14,987,448 | 24,272,156 | 6,102,823 | 2,803,945 | - | |
| Advances | 184,161,175 | 32,531,971 | 32,302,184 | 376,780 | 663,888 | 516,817 | 855,095 | 1,236,982 | 3,257,837 | - | |
| Operating fixed assets | 7,589,702 | 71,180 | 424,177 | - | - | - | - | - | - | - | |
| Deferred tax assets - net | - | - | - | 308,743 | 527,294 | 443,771 | 740,982 | 38,227 | - | - | |
| Other assets | 7,414,358 | 5,005,610 | 10,002 | 34,257,646 | 101,793,538 | 34,380,491 | 56,746,819 | 9,811,734 | 6,061,782 | - | |
| Liabilities | 390,953,876 | 61,313,161 | 50,087,923 | 36,500,782 | 39,643,889 | 12,176,863 | 86,292,755 | 4,988,799 | 699,981 | - | |
| Bills payable | 3,824,278 | - | - | - | 14,289 | 31,234 | 16,839 | 464,313 | 934,738 | - | |
| Borrowings | 64,557,043 | 8,092,557 | 5,204,967 | 48,699,165 | 1,000 | 2,000 | 4,001 | - | - | - | |
| Deposits and other accounts | 288,365,014 | 44,458,133 | 43,579,674 | 1,000 | 590 | 1,225 | 2,006 | - | - | - | |
| Sub-ordinated loans | 4,998,800 | - | - | - | 2,513 | (121,245) | 6,707 | - | - | - | |
| Liabilities against assets subject to finance lease | 5,032 | 94 | 191 | - | 272,466 | 1,280,411 | 610,775 | - | - | - | |
| Deferred tax liabilities - net | 686,941 | 4,829 | 2,117 | 22,738 | 39,934,747 | 13,110,541 | 14,833,865 | 87,380,557 | 5,973,394 | 699,981 | |
| Other liabilities | 8,848,854 | 5,312,891 | 206,421 | 145,426 | (5,677,101) | 88,682,997 | 19,546,626 | 3,838,340 | - | - | |
| Net assets | 371,285,962 | 103,398,351 | 51,880,940 | 54,073,586 | 39,934,747 | 13,110,541 | 14,833,865 | 87,380,557 | 5,973,394 | 699,981 | |
| Share capital | 19,667,914 | (42,085,190) | (1,793,017) | (17,572,804) | (5,677,101) | 88,682,997 | 19,546,626 | (30,633,738) | 3,838,340 | 5,361,801 | |
| Discount on issue of shares | 10,724,643 | - | - | - | - | - | - | - | - | - | |
| Preference share | (2,105,401) | - | - | - | - | - | - | - | - | - | |
| Statutory reserve | 1,500,000 | - | - | - | - | - | - | - | - | - | |
| Unappropriated profit | 1,540,987 | - | - | - | - | - | - | - | - | - | |
| Non-controlling interest | 5,463,357 | - | - | - | - | - | - | - | - | - | |
| Surplus on revaluation of assets - net | 1,463,454 | - | - | - | - | - | - | - | - | - | |
| | 1,080,874 | - | - | - | - | - | - | - | - | - | |
| | 19,667,914 | - | - | - | - | - | - | - | - | - | |

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

For determining the core portion of non contractual liabilities (non-volatile portion), the bank has used the average method whereby average balance maintained over past five year has been classified as core and has been placed in 'over 3 to 5 years' maturity bucket. Non contractual assets and remaining volatile portion of non contractual liabilities have been stratified in relevant maturity bucket using bucket wise percentages determined by using average volatility in respective period / bucket.

| | Upto 1 month | Over 1 to 3 months | Over 3 to 6 months | Over 6 months to 1 year | Over 1 to 2 years | Over 2 to 3 years | Over 3 to 5 years |
|--|--------------|--------------------|--------------------|-------------------------|-------------------|-------------------|-------------------|
| | 3% | 4% | 5% | 5% | 8% | 10% | 65% |

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

| | | 2016 | | | | | | | | |
|---|-------------|----------------|--------------------|--------------------|-------------------------|-------------------|-------------------|-------------------|--------------------|----------------|
| | | Rupees in '000 | | | | | | | | |
| | Total | Upto 1 month | Over 1 to 3 months | Over 3 to 6 months | Over 6 months to 1 year | Over 1 to 2 years | Over 2 to 3 years | Over 3 to 5 years | Over 5 to 10 years | Above 10 years |
| Assets | | | | | | | | | | |
| Cash and balances with treasury banks | 15,509,263 | - | - | - | - | - | - | - | - | - |
| Balances with other banks | 1,950,297 | - | - | - | - | - | - | - | - | - |
| Lending to financial institutions | 11,334,414 | 10,654,523 | 522,993 | 156,898 | - | - | - | - | - | - |
| Investments | 135,038,901 | 23,230,464 | 52,806,311 | 1,135,734 | 8,399,139 | 11,227,289 | 28,209,435 | 7,794,633 | 2,235,896 | - |
| Advances | 93,812,506 | 17,885,620 | 18,592,126 | 19,874,179 | 18,185,931 | 5,504,828 | 5,115,687 | 3,980,740 | 2,534,935 | 2,138,460 |
| Operating fixed assets | 6,021,563 | 73,643 | 340,206 | 164,884 | 325,949 | 545,490 | 415,376 | 591,637 | 614,264 | 2,950,114 |
| Deferred tax assets - net | - | - | - | - | 304,036 | 272,131 | 387,678 | 96,310 | - | - |
| Other assets | 6,341,199 | 5,257,435 | 72,261,636 | 21,331,695 | 27,215,055 | 17,549,738 | 34,128,176 | 12,463,320 | 5,408,704 | 5,088,574 |
| | 270,008,143 | 74,561,245 | 72,261,636 | 21,331,695 | 27,215,055 | 17,549,738 | 34,128,176 | 12,463,320 | 5,408,704 | 5,088,574 |
| Liabilities | | | | | | | | | | |
| Bills payable | 2,544,028 | 2,544,028 | - | - | - | - | - | - | - | - |
| Borrowings | 11,502,697 | 3,631,700 | 4,194,410 | 2,910,121 | 10,211 | 20,422 | 31,437 | 234,580 | 469,716 | - |
| Deposits and other accounts | 225,004,655 | 38,354,975 | 37,279,275 | 40,437,231 | 22,447,700 | 8,688,923 | 11,930,947 | 65,865,604 | - | - |
| Sub-ordinated loans | 3,000,000 | - | - | 600 | 600 | 1,200 | 1,200 | 2,400 | 2,994,000 | - |
| Liabilities against assets subject to finance lease | - | - | - | - | - | - | - | - | - | - |
| Deferred tax liabilities - net | 1,082,885 | - | - | - | - | - | 1,082,885 | - | - | - |
| Other liabilities | 7,111,584 | 2,228,984 | 3,022,496 | 31,814 | 101,218 | 424,195 | 941,680 | 267,282 | 93,915 | - |
| | 250,245,749 | 46,759,687 | 44,496,181 | 43,379,766 | 22,559,729 | 9,134,740 | 13,988,149 | 66,369,866 | 3,557,631 | - |
| | 19,762,394 | 27,801,558 | 27,765,455 | (22,048,071) | 4,655,326 | 8,414,998 | 20,140,027 | (53,906,546) | 1,851,073 | 5,088,574 |
| Net assets | | | | | | | | | | |
| Share capital | 10,724,643 | - | - | - | - | - | - | - | - | - |
| Discount on issue of right shares | (2,105,401) | - | - | - | - | - | - | - | - | - |
| Preference shares | 1,500,000 | - | - | - | - | - | - | - | - | - |
| Statutory reserve | 1,334,138 | - | - | - | - | - | - | - | - | - |
| Unappropriated profit | 4,858,596 | - | - | - | - | - | - | - | - | - |
| Non-controlling interest | 1,434,391 | - | - | - | - | - | - | - | - | - |
| Surplus on revaluation of assets - net | 2,016,027 | - | - | - | - | - | - | - | - | - |
| | 19,762,394 | - | - | - | - | - | - | - | - | - |
| | 3% | Upto 1 month | Over 1 to 3 months | Over 3 to 6 months | Over 6 months to 1 year | Over 1 to 2 years | Over 2 to 3 years | Over 3 to 5 years | Over 5 to 10 years | Above 10 years |
| Weighted average | | 3% | 5% | 6% | 6% | 8% | 11% | 61% | | |

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

44.5 Operational risk

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

Bank's operational risk management process involves a structured and uniform approach across the Bank. It includes risk identification and assessments, the monitoring of Key Risk Indicators and Risk Control Self-Assessment activities for key operational risks. In order to build a robust Operational Risk Monitoring mechanism, an Operational Risk Management Committee (ORMC) has been constituted to effectively address Operational Risk issues.

The Bank has implemented a comprehensive "Operational Risk Management Framework" which has also been approved by the Board of Directors. The purpose of bank-wide Operational Risk Management Framework is aimed at laying out clearly defined roles and responsibilities of individuals/units across different functions of the bank that are involved in performing various Operational Risk Management tasks. Operational risk is much more pervasive in a financial institution and every operating unit is exposed to operational risk, regardless of whether it is a business or a support function. This Framework has been devised to explain the various building blocks of the Operational Risk Management processes, and their inter-relationships. The framework also captures both qualitative and quantitative guidelines for managing and quantifying operational risks across the bank.

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

Operation Risk loss data collection is governed by Bank's TID Policy which has been developed and implemented to collate operational losses and near misses in a systematic and organized way.

The Bank's Business Continuity Policy (BCP) includes risk management strategies to mitigate inherent risk and prevent interruption of mission critical services caused by disaster event. The resilience of BCP is tested and rehearsed on an annual basis by the bank.

45. CUSTOMER SATISFACTION AND FAIR TREATMENT

We are committed to providing our customers with the highest level of service quality and satisfaction and have therefore set-up an independent service management function that oversees service quality, phone banking, problem resolution and the fair treatment of customers.

A total of 11,512 complaints were received by the Bank in 2017 and the average time taken to resolve these complaints was 5 days. Our complaint handling policy and grievance redressal mechanism ensures that complaints are resolved in a timely manner and recurrence of complaints is prevented where possible. Customers have the option of registering their complaints at our Branches, phone banking center, the Bank's website and via email. Complaint management process is kept as transparent as possible through registration, acknowledgement, interim response where applicable, resolution and root cause analysis of recurring complaints. Customers are also given the option of contacting the Banking Mohtasib office in case they are dissatisfied with the response received from the Bank.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2017

To create enhanced visibility of the recourse mechanism available to its customers, the Bank has incorporated awareness messages of its complaint handling function in several customer communications such as account statements, ATM screens, letters and SMS messages. Complete grievance redressal mechanism, contact channels and online feedback forms have been made available through the Bank website, and email broadcasts have been sent to the customers for customer education and awareness.

Fair Treatment of Customers is an integral part of our corporate culture. The Bank has institutionalized a 'Consumer Protection Framework'. Our priority is to keep customer benefits in mind while designing, selling and managing products and services, without any discrimination. Our focus is to maintain fairness in our customer dealings, clarity in communication, develop a service culture and design an effective grievance handling mechanism. We also focus on financial literacy of our customers, for promoting responsible conduct and informed financial decisions by consumers, through our Consumer Education and Financial Literacy Program.

46. GENERAL

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

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

47. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors have proposed cash preference dividend of 12% (December 31, 2016: 12%) amounting to Rs.180 million (December 31, 2016: Rs.180 million) in their meeting held on March 03, 2018. This appropriation will be approved in the forth coming Annual General Meeting.

48. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorized for issue by the Board of Directors of the Bank in their meeting held on March 03, 2018.

Chairman

President and
Chief Executive Officer

Director

Director

Chief Financial Officer

Annexure I

As at December 31, 2017

As referred to in note 12.2.2 and 13.2.2 to the Unconsolidated and Consolidated financial statements respectively.

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

| Particulars | Cost | Accumulated depreciation | Written down value | Sale proceeds | Gain | Mode of disposal | Buyers' particulars and relationship with Bank (if any) | |
|---------------------|---------------|--------------------------|--------------------|---------------|---------------|------------------|---|---|
| | | | | | | | Rupees in '000 | |
| <u>Vehicles</u> | | | | | | | | |
| Honda Civic | 2,096 | 1,816 | 279 | 1,506 | 1,226 | Negotiation | Name CNIC Address | Noman Hasan 42101-1620434-1 House No A-908 Block 12 Ancholi Federal B Area Karachi |
| Honda Civic | 1,891 | 1,828 | 63 | 1,191 | 1,128 | Negotiation | Name CNIC Address | Waqas Nadeem 34101-2624632-5 Street No 2 Fazalpur Gujranwala |
| Honda Civic | 2,096 | 1,851 | 245 | 1,424 | 1,179 | Negotiation | Name CNIC Address | Wali Najam 42201-7801565-9 House No Z-102 Block 7/8 B.Y.J.C.H.S Karachi |
| Honda Civic | 2,091 | 1,882 | 209 | 1,600 | 1,391 | Insurance Claim | Name Address | EFU General Insurance Limited - related party, 1st Floor Kashif Centre Main Shahra-e-faisal Karachi |
| Honda Civic | 1,975 | 1,975 | - | 1,345 | 1,345 | Negotiation | Name CNIC Address | Anisa Majeed 42201-7344988-4 House No C-41 Dadu Co-operates Society Near TV Station Karachi |
| Honda Civic | 1,859 | 1,859 | - | 978 | 978 | Negotiation | Name CNIC Address | Nusrat Iqbal 42101-3395059-1 House No 4-A-11/17 Nazimabad 4 No Karachi |
| Honda Civic | 2,146 | 858 | 1,288 | 1,618 | 330 | Negotiation | Name CNIC Address | Aslam Hasan 35201-0203797-5 House No 32-N Street No 1 Phase VI DHA Cantt Lahore |
| Honda Civic | 2,386 | 1,113 | 1,273 | 1,842 | 569 | Negotiation | Name CNIC Address | Sher Ali 61101-9054255-3 House No 635 Street No 136 D 12/4 Islamabad |
| Honda Civic | 2,363 | 71 | 2,292 | 2,100 | (192) | Insurance Claim | Name Address | EFU General Insurance Limited - related party, 1st Floor Kashif Centre Main Shahra-e-faisal Karachi |
| Honda Civic | 2,396 | 1,757 | 639 | 1,608 | 969 | Negotiation | Name CNIC Address | Sanam Zaidi 423019-368234-0 House No B-135 Block 13D-2 Sehba Akhtar Road Gulshan E Iqbal Karachi |
| Honda Civic | 2,326 | 2,287 | 39 | 1,410 | 1,371 | Negotiation | Name CNIC Address | Sultan Hasan 42101-1044964-1 House No B-6 North Karachi Sector 11-B Karachi |
| Honda Civic | 1,893 | 1,893 | - | 1,119 | 1,119 | Negotiation | Name CNIC Address | Sultan Hasan 42101-1044964-1 House No B-6 North Karachi Sector 11-B Karachi |
| Honda Civic | 2,146 | 1,145 | 1,002 | 1,663 | 661 | Negotiation | Name CNIC Address | Muhammad Altaf 35201-5100624-1 House No 68-B Railway Colony Walton Lahore |
| Honda Civic | 1,830 | 1,830 | - | 1,057 | 1,057 | Negotiation | Name CNIC Address | Nusrat Iqbal 42101-3395059-1 House No 4-A-11/17 Nazimabad Karachi |
| Honda Civic | 4,000 | 4,000 | - | 1,596 | 1,596 | Negotiation | Name CNIC Address | Nusrat Iqbal 42101-3395059-1 House No 4-A-11/17 Nazimabad Karachi |
| Honda Civic | 1,893 | 1,893 | - | 1,097 | 1,097 | Negotiation | Name CNIC Address | Nusrat Iqbal 42101-3395059-1 House No 4-A-11/17 Nazimabad Karachi |
| Honda Civic | 2,096 | 1,712 | 384 | 1,416 | 1,032 | Negotiation | Name CNIC Address | Zahid Qadri 42101-1674749-5 House No R-536-15-A-4 Bafarzon Karachi |
| Honda Civic | 1,893 | 1,893 | - | 1,242 | 1,242 | Negotiation | Name CNIC Address | Zahid Qadri 42101-1674749-5 House No R-536-15-A-4 Bafarzon Karachi |
| Toyota Corolla | 1,828 | 701 | 1,127 | 1,775 | 648 | Insurance Claim | Name Address | EFU General Insurance Limited - related party, 1st Floor Kashif Centre Main Shahra-e-faisal Karachi |
| Toyota Corolla | 1,514 | 1,514 | - | 1,162 | 1,162 | Negotiation | Name CNIC Address | Syed Adil 42101-4759304-9 House No A-304 Block 12 Gulberg Karachi |
| Balance c/f. | 42,717 | 33,878 | 8,839 | 28,746 | 19,907 | | | |

Annexure I cont.

As at December 31, 2017

| Particulars | Cost | Accumulated depreciation | Written down value | Sale proceeds | Gain | Mode of disposal | Buyers' particulars and relationship with Bank (if any) | |
|---------------------|---------------|--------------------------|--------------------|---------------|---------------|------------------|---|--|
| | | | | | | | | |
| Balance c/f. | 42,717 | 33,878 | 8,839 | 28,746 | 19,907 | | | |
| Vehicles | | | | | | | | |
| Toyota Corolla | 1,753 | 789 | 964 | 1,450 | 486 | Insurance Claim | Name Address | EFU General Insurance Limited - related party, 1st Floor Kashif Centre Main Shahra-e-faisal Karachi |
| Toyota Corolla | 2,198 | 220 | 1,978 | 2,150 | 172 | Insurance Claim | Name Address | EFU General Insurance Limited - related party, 1st Floor Kashif Centre Main Shahra-e-faisal Karachi |
| Toyota Corolla | 1,673 | 1,282 | 391 | 1,230 | 840 | Negotiation | Name CNIC Address | Khurram Khan 42101-4153286-9 House No 25 Block C North Karachi |
| Toyota Corolla | 1,673 | 1,282 | 391 | 1,282 | 892 | Negotiation | Name CNIC Address | Shayan Sohail 42101-8854313-7 House No C-51 Block 4 Federal B Area Karachi |
| Toyota Corolla | 1,688 | 1,153 | 535 | 1,261 | 727 | Negotiation | Name CNIC Address | Muhammad Altaf 35202-5100624-1 House No 68-B Railway Colony Walton Lahore |
| Toyota Corolla | 1,529 | 1,529 | - | 1,198 | 1,198 | Negotiation | Name CNIC Address | Wasim Mirza 44204-4438942-7 House No 292 Mughalpur Sheikhpura |
| Toyota Corolla | 1,683 | 953 | 729 | 1,418 | 689 | Negotiation | Name CNIC Address | Usman Waheed 31303-7816470-3 House No 116 D Gulshan E Iqbal Karachi |
| Toyota Corolla | 2,750 | 2,750 | - | 1,464 | 1,464 | Negotiation | Name CNIC Address | Sohail Mansoor 42301-9957376-9 House No 33/1 Khayaban e Shamsher Phase V DHA Karachi |
| Toyota Corolla | 1,828 | 670 | 1,158 | 1,700 | 543 | Insurance Claim | Name Address | EFU General Insurance Limited - related party, 1st Floor Kashif Centre Main Shahra-e-faisal Karachi |
| Toyota Corolla | 1,673 | 1,617 | 56 | 1,184 | 1,128 | Negotiation | Name CNIC Address | Muhammad Umer 42301-1532452-5 Flat No C-15 Maalwala Apartment Nishtar road Ramsuami Karachi |
| Toyota Corolla | 1,673 | 1,561 | 112 | 1,259 | 1,148 | Negotiation | Name CNIC Address | Numeri Abbar 42201-4355125-7 House No A-50 Block 3 Gulistan E Jouhar |
| Toyota Corolla | 1,683 | 1,122 | 561 | 1,342 | 781 | Negotiation | Name CNIC Address | Khurram Imtiaz 35202-2968031-7 House No 188-P Model Town Extension Lahore |
| Toyota Corolla | 1,683 | 1,122 | 561 | 1,344 | 784 | Negotiation | Name CNIC Address | Sajid Hussain 61101-3168372-1 House No 99 Street No 3 Amir Humza Road Rawalpindi |
| Toyota Corolla | 1,710 | 1,482 | 228 | 1,307 | 1,079 | Negotiation | Name CNIC Address | Sajid Hussain 61101-3168372-1 House No 99 Street No 3 Amir Humza Road Rawalpindi |
| Toyota Corolla | 1,608 | 1,608 | - | 1,278 | 1,278 | Negotiation | Name CNIC Address | Adnan Basir 35202-6869315-5 House No 7-K Begum Road Maznugh Lahore |
| Toyota Corolla | 1,733 | 1,242 | 491 | 1,297 | 806 | Negotiation | Name CNIC Address | Umair Asad 35202-5633678-3 House No 11-A Street No 20 Hota Singh Road Sunset Nagar Lahore |
| Toyota Corolla | 1,608 | 1,608 | - | 1,192 | 1,192 | Negotiation | Name CNIC Address | Qasim Paracha 35202-8389340-9 Flat No 25 Shershah Block New Garden Town Lahore |
| Toyota Corolla | 1,608 | 1,608 | - | 1,235 | 1,235 | Negotiation | Name CNIC Address | Saeed Rehman 42101-3118968-1 House No 56-A Block D North Nazimabad Karachi |
| Toyota Corolla | 1,864 | 112 | 1,752 | 1,780 | 28 | Insurance Claim | Name Address | EFU General Insurance Limited - related party, 1st Floor Kashif Centre Main Shahra-e-faisal Karachi |
| Toyota Corolla | 1,683 | 1,178 | 505 | 1,335 | 830 | Negotiation | Name CNIC Address | Shehzada 42301-1085770-1 House No 2150 Street 6 Gulistan Colony Madina Masjid Road Liyari Karachi |
| Toyota Corolla | 1,710 | 1,539 | 171 | 1,159 | 988 | Negotiation | Name CNIC Address | Atif Sheikh 42101-7500950-7 House No L-97 Center 1-5-0 Rahmaniya Colony North Karachi |
| Balance c/f. | 79,720 | 60,301 | 19,419 | 57,611 | 38,192 | | | |

Annexure I cont.

As at December 31, 2017

| Particulars | Cost | Accumulated depreciation | Written down value | Sale proceeds | Gain | Mode of disposal | Buyers' particulars and relationship with Bank (if any) | |
|---------------------|----------------|--------------------------|--------------------|---------------|---------------|------------------|---|--|
| | | | | | | | | |
| Balance b/f. | 79,720 | 60,301 | 19,419 | 57,611 | 38,192 | | | |
| Vehicles | | | | | | | | |
| Toyota Corolla | 1,828 | 792 | 1,036 | 1,571 | 535 | Negotiation | Name CNIC Address | Adnan Naseer 35202-2757228-5 House No 2 Madina Market Anarkali Lahore |
| Toyota Corolla | 1,673 | 1,673 | - | 1,195 | 1,195 | Negotiation | Name CNIC Address | Muhammad Umer 42301-1532452-5 Flat No C-15 Maalwala Apartment Nishtar road Ramsuami Karachi |
| Toyota Corolla | 1,828 | 792 | 1,036 | 1,615 | 579 | Negotiation | Name CNIC Address | Shahid 35200-9413334-9 House No 206 Street 44 Mughalpura Lahore |
| Toyota Corolla | 1,708 | 1,309 | 399 | 1,356 | 958 | Negotiation | Name CNIC Address | Numeri Abbar 42201-4355125-7 House No A-50 Block 3 Gulistan E Jouhar |
| Mercedes | 4,000 | 4,000 | - | 2,266 | 2,266 | Negotiation | Name CNIC Address | Waqas Younus 42301-3903629-3 Flat No 408-D Block 8 Yousuf Grand Square Clifton Karachi |
| Suzuki Cultus | 998 | 732 | 266 | 707 | 441 | Negotiation | Name CNIC Address | Nusrat Iqbal CNIC:42101-3395059-1 House No 4-A-11/17 Nazimabad Karachi |
| Suzuki Cultus | 1,007 | 671 | 336 | 744 | 408 | Negotiation | Name CNIC Address | Noman Hasan 42101-1620434-1 House No A-908 Block 12 Ancholi Federal B Area Karachi |
| Suzuki Cultus | 1,039 | 520 | 520 | 783 | 264 | Negotiation | Name CNIC Address | Shayan Sohail 42101-8854313-7 House No C-51 Block 4 Federal B Area Karachi |
| Suzuki Cultus | 1,039 | 485 | 554 | 808 | 254 | Negotiation | Name CNIC Address | Farooq-E-Azam 35202-6811277-3 House No 418 Jahanzaib Block Allama Iqbal Town Lahore |
| Suzuki Cultus | 1,099 | 220 | 879 | 1,050 | 171 | Insurance Claim | Name Address | EFU General Insurance Limited - related party, 1st Floor Kashif Centre Main Shahra-e-faisal Karachi |
| Suzuki Cultus | 1,032 | 654 | 378 | 850 | 472 | Negotiation | Name Address | EFU General Insurance Limited - related party, 1st Floor Kashif Centre Main Shahra-e-faisal Karachi |
| Suzuki Cultus | 1,007 | 789 | 218 | 706 | 488 | Negotiation | Name CNIC Address | Noman Hasan 42101-1620434-1 House No A-908 Block 12 Ancholi Federal B Area Karachi |
| Suzuki Cultus | 1,039 | 606 | 433 | 730 | 297 | Negotiation | Name CNIC Address | Usman Shahid 42101-1044964-1 House No 6-B Sector 11-B North Karachi, Karachi |
| Suzuki Cultus | 1,039 | 520 | 520 | 888 | 368 | Negotiation | Name CNIC Address | Syed Adil Ali 42101-4759304-9 House No A-304 Block 12 Gulberg Karachi |
| Suzuki Cultus | 1,002 | 768 | 234 | 689 | 455 | Negotiation | Name CNIC Address | Muhammad Shahbaz 35202-2558297-1 House No 654-B Faisal Town Lahore |
| Suzuki Cultus | 1,007 | 755 | 252 | 738 | 486 | Negotiation | Name CNIC Address | Qasim Paracha 35202-8389340-9 Flat No 25 Shershah Block New Garden Town Lahore |
| Suzuki Cultus | 1,039 | 571 | 468 | 798 | 330 | Negotiation | Name CNIC Address | Saleem Ahmed 42201-4014690-3 House No L-2290 Metrowel 3, Block 2 Gulzare Hijri Karachi |
| Suzuki Cultus | 1,039 | 468 | 572 | 862 | 290 | Negotiation | Name CNIC Address | Saleem Ahmed 42201-4014690-3 House No L-2290 Metrowel 3, Block 2 Gulzare Hijri Karachi |
| Suzuki Cultus | 1,039 | 641 | 398 | 788 | 390 | Negotiation | Name CNIC Address | Saeed Ur Rehman 42101-3118968-1 House No 56-A Block D North Nazimabad Karachi |
| Suzuki Cultus | 1,039 | 589 | 450 | 789 | 339 | Negotiation | Name CNIC Address | Wasim Mirza 44204-4438942-7 House No 292 Mughalpura Sheikhpura |
| Balance c/f. | 106,219 | 77,852 | 28,367 | 77,542 | 49,175 | | | |

Annexure I cont.

As at December 31, 2017

| Particulars | Cost | Accumulated depreciation | Written down value | Sale proceeds | Gain | Mode of disposal | Buyers' particulars and relationship with Bank (if any) | |
|--|----------------------------|--------------------------|--------------------|----------------|---------------|------------------|---|--|
| | ----- Rupees in '000 ----- | | | | | | | |
| Balance b/f. | 106,219 | 77,852 | 28,367 | 77,542 | 49,175 | | | |
| Vehicles | | | | | | | | |
| Suzuki Cultus | 1,034 | 603 | 431 | 827 | 396 | Negotiation | Name | Aleem Khan |
| | | | | | | | CNIC | 42101-2556537-5 |
| | | | | | | | Address | House No 147-B Block 10 Federal B Area Karachi |
| Suzuki Cultus | 1,007 | 789 | 218 | 704 | 485 | Negotiation | Name | Sajjid Hussain |
| | | | | | | | CNIC | 61101-3168372-1 |
| | | | | | | | Address | House No 99 Street No 3 Amir Humza Road Rawalpindi |
| Suzuki Cultus | 1,034 | 483 | 552 | 732 | 180 | Negotiation | Name | Nusrat Iqbal |
| | | | | | | | CNIC | 42101-3395059-1 |
| | | | | | | | Address | House No 4-A-11/17 Nazimabad Karachi |
| | 109,294 | 79,726 | 29,567 | 79,805 | 50,237 | | | |
| Electrical, office and computer equipment | | | | | | | | |
| Generator | 902 | 592 | 310 | 756 | 446 | Insurance Claim | Name | EFU General Insurance Limited - related party, |
| | | | | | | | Address | 1st Floor Kashif Centre Main Shahra-e-faisal Karachi |
| Generator | 902 | 620 | 282 | 701 | 419 | Insurance Claim | Name | EFU General Insurance Limited - related party, |
| | | | | | | | Address | 1st Floor Kashif Centre Main Shahra-e-faisal Karachi |
| Generator | 1,025 | 1,014 | 11 | 450 | 439 | Negotiation | Name | S.M Jaffer |
| | | | | | | | Address | |
| Generator | 901 | 545 | 356 | 65 | (291) | Negotiation | Name | AL-Fareed Electronics |
| | | | | | | | Address | Shop No 14-A Ground Floor Agha Siraj Complex Quetta |
| Others (note 12.2.3) | 44,973 | 42,640 | 2,334 | 26,525 | 24,191 | | | |
| | 157,996 | 125,136 | 32,860 | 108,301 | 75,441 | | | |
| The subsidiary companies | | | | | | | | |
| Honda Civic | 1,969 | 861 | 1,108 | 1,675 | 567 | Negotiation | Name | Mr. Omer Bin Javaid |
| | | | | | | | CNIC | 42201-9928699-1 |
| | | | | | | | Address | D-26/4 Street 9 Block 7 Clifton Karachi |
| Others (note 12.2.3 & 13.2.2) | 6,196 | 5,993 | 203 | 351 | 148 | | | |
| | 166,161 | 131,990 | 34,171 | 110,327 | 76,156 | | | |

Other represent disposal whose original cost or book value is not in excess of Rs.1.0 million or Rs.0.25 million respectively. (note 12.2.2 & 13.2.2)

Annexure II

As at December 31, 2017

As referred to in note 11.4.3 and 12.6.3 to the Unconsolidated and Consolidated financial statements respectively.

Details of Written-Off Loans for the Year Ended December 31, 2017 for Rs.0.5 million and above

| S. No. | Name of Bank / DFI | Full Name of Borrower / Company Name | Status of Borrower (Individual / Company / Firm) | Name of Director / Partner / Proprietor | Father / Husband Name | Address of Borrower | Province | Director Status (Nominee or Bearer or Sponsor etc.) | NIC No. of Borrower/Director | | Year of write off | Outstanding liabilities Before Adjustments | | | | Amount Written - Off | | | | |
|--------|--------------------|--------------------------------------|--|---|----------------------------|--|----------|---|---|-----------------|-------------------|--|----------------|------------|------------------|----------------------|-------------------|--------|------------------|------------|
| | | | | | | | | | New NIC | Old NIC | | Principal | Accrued Markup | Others | Total (13+14+15) | Principal | Interest / Markup | Others | Total (17+18+19) | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | |
| 1 | JS Bank Limited | Wali Ullah Khan | Individual | Wali Ullah Khan | Muhammad Waseel Ullah Khan | Suite No. 401 Al Falma Chambers Opp Passport Office Sadder-Kh | Sindh | | 4201-677873-5 | | 2017 | - | - | - | - | 0.09 | 342,327 | | 342,327 | |
| 2 | JS Bank Limited | Raja Ghulam Mustafa | Individual | Raja Ghulam Mustafa | Raja Ghulam Haxter | 6-D Commercial Architects Engineering Housing Society Lahore Global Business Corporation | Sindh | | 37201-768872-9 | | 2017 | - | - | - | - | 0.83 | 447,121 | | 447,121 | |
| 3 | JS Bank Limited | Asif Bashir | Individual | Asif Bashir | Khalid Bashir | 7-BH Aziz Avenue Gulberg V Lahore | Punjab | | 35202-2631607-3 | | 2017 | - | 11,683,257 | - | 11,683,257 | - | 11,683,257 | | 11,683,257 | |
| 4 | JS Bank Limited | Jahangir Codd Store | Partnership | Mohsin Naveed | | Chowk Gulshan Road Off Ring Road Mouza Lakho Lahore | Punjab | | 35202-5627628-3 | | 2017 | - | 2,972,736 | - | 2,972,736 | - | 2,972,736 | | 2,972,736 | |
| 5 | JS Bank Limited | M Imran & Adnan Enterprises | Partnership | Mehboob Qadir Zaboun Nisa | Almred Qadir | 11 Sult #f Craze 1 Plaza DHA Karachi | Sindh | | 31201-2989270-7 31201-1214410-9 42201-7586468-0 | | 2017 | 19,999,994 | 16,504,419 | - | 36,504,413 | 19,999,994 | 16,504,419 | - | 36,504,413 | |
| 6 | JS Bank Limited | Mohb Textile Mills Limited | | Arif Saqib | Men Rafique Saqib | 6-FB Awami Complex New Garden town Lahore | Punjab | | 270-59-006203 270-62-006201 270-57-006202 270-57-432238 270-57-432240 270-57-432239 270-59-006203 | | 2017 | 44,018,477 | - | 44,018,477 | - | 44,018,477 | - | - | - | 44,018,477 |
| 7 | JS Bank Limited | Monie Exports Limited | | Arif Saqib | Men Rafique Saqib | 6-FB Awami Complex New Garden town Lahore | Punjab | | 270-57-006202 270-57-432238 270-57-432240 270-57-432239 | | 2017 | 20,140,426 | - | 20,140,426 | - | 20,140,426 | - | - | - | 20,140,426 |
| 8 | JS Bank Limited | Pakistan Switchgear | | NA | NA | Dayal Singh Mansion The Mall Lahore | Punjab | | NA | NA | 2017 | 661,628 | - | - | 661,628 | - | - | - | 661,628 | |
| 9 | JS Bank Limited | Sif Nadeem Rawasak | | NA | NA | SE Khattak Harpur Hazara | KPK | | NA | NA | 2017 | 2,297,667 | - | - | 2,297,667 | - | - | - | 2,297,667 | |
| 10 | JS Bank Limited | Adarjee Industries Limited | | NA | NA | Floor PMS Building Mektan Road Karachi | Sindh | | NA | NA | 2017 | 4,790,629 | - | - | 4,790,629 | - | - | - | 4,790,629 | |
| 11 | JS Bank Limited | Ahor Acorz Pakistan | | NA | NA | 4th Floor Hara Marson Zabunsa Street Karachi | Sindh | | NA | NA | 2017 | 22,192,940 | - | - | 22,192,940 | - | - | - | 22,192,940 | |
| 12 | JS Bank Limited | Rehman Enterprises | | NA | NA | 4th Floor Armat Manzil Boulton Market Karachi | Sindh | | NA | NA | 2017 | 6,207,427 | - | - | 6,207,427 | - | - | - | 6,207,427 | |
| 13 | JS Bank Limited | Standard Industries Limited | | Rizab Bai | Yahya Bai | Orange Street Lawrence Road Karachi | Sindh | | NA | NA | 2017 | 2,181 | - | - | 2,181 | - | - | - | 2,181 | |
| 14 | JS Bank Limited | Standard International Limited | | Saeed Mahmood | Muhammad Mahmood | 32-F Block W PECHS Karachi | Sindh | | NA | NA | 2017 | 701,248 | - | - | 701,248 | - | - | - | 701,248 | |
| 15 | JS Bank Limited | Falme Textile Mills Limited | | NA | NA | State Life Building U Chundrigar Road Karachi | Sindh | | NA | NA | 2017 | 1,692,754 | - | - | 1,692,754 | - | - | - | 1,692,754 | |
| 16 | JS Bank Limited | Ki Chuma - Karachi | Individual | Ki Chuma | Iqbal Ahmed Chuma | H-1417 Sulzabad Colony Lallmar No1 Karachi | Sindh | | NA | 502-50-070391 | 2017 | 114,985 | - | - | 114,985 | - | - | - | 114,985 | |
| 17 | JS Bank Limited | Mohammad Shariq Khan | Individual | Mohammad Shariq Khan | Abdul Qasoor | F # 624 Korang No-4 Karachi | Sindh | | NA | 42301-3888300-7 | 2017 | 22,071 | - | - | 22,071 | - | - | - | 22,071 | |
| | | | | | | | | | | | | 122,842,106 | 311,601,412 | | 154,020,819 | 122,842,107 | 31,949,880 | | 154,792,267 | |

Pattern of Shareholding

| S.no | No Of Sahare holders | Shareholdings | Total Shares Held |
|------|----------------------|--|-------------------|
| 1 | 628 | Shareholding From 1 To 100 | 8,371 |
| 2 | 627 | Shareholding From 101 To 500 | 254,807 |
| 3 | 610 | Shareholding From 501 To 1000 | 571,856 |
| 4 | 2326 | Shareholding From 1001 To 100000 | 26,819,621 |
| 5 | 84 | Shareholding From 100001 To 500000 | 19,384,398 |
| 6 | 19 | Shareholding From 520001 To 1000000 | 12,964,632 |
| 7 | 1 | Shareholding From 1080001 To 1085000 | 1,083,000 |
| 8 | 2 | Shareholding From 1145001 To 1150000 | 2,300,000 |
| 9 | 1 | Shareholding From 1175001 To 1180000 | 1,176,500 |
| 10 | 2 | Shareholding From 1295001 To 1300000 | 2,600,000 |
| 11 | 1 | Shareholding From 1390001 To 1395000 | 1,394,500 |
| 12 | 1 | Shareholding From 1495001 To 1500000 | 1,500,000 |
| 13 | 1 | Shareholding From 1540001 To 1545000 | 1,545,000 |
| 14 | 1 | Shareholding From 1585001 To 1590000 | 1,588,541 |
| 15 | 1 | Shareholding From 1605001 To 1610000 | 1,608,500 |
| 16 | 1 | Shareholding From 1655001 To 1660000 | 1,655,500 |
| 17 | 1 | Shareholding From 1670001 To 1675000 | 1,671,500 |
| 18 | 1 | Shareholding From 1740001 To 1745000 | 1,741,000 |
| 19 | 2 | Shareholding From 1745001 To 1750000 | 3,500,000 |
| 20 | 1 | Shareholding From 1795001 To 1800000 | 1,800,000 |
| 21 | 1 | Shareholding From 1870001 To 1875000 | 1,872,400 |
| 22 | 1 | Shareholding From 1910001 To 1915000 | 1,912,000 |
| 23 | 1 | Shareholding From 2075001 To 2080000 | 2,076,322 |
| 24 | 1 | Shareholding From 2110001 To 2115000 | 2,111,748 |
| 25 | 1 | Shareholding From 2295001 To 2300000 | 2,300,000 |
| 26 | 1 | Shareholding From 2420001 To 2425000 | 2,422,500 |
| 27 | 1 | Shareholding From 2605001 To 2610000 | 2,609,000 |
| 28 | 2 | Shareholding From 2995001 To 3000000 | 6,000,000 |
| 29 | 1 | Shareholding From 3325001 To 3330000 | 3,328,500 |
| 30 | 1 | Shareholding From 4015001 To 4020000 | 4,020,000 |
| 31 | 1 | Shareholding From 4805001 To 4810000 | 4,807,000 |
| 32 | 1 | Shareholding From 4960001 To 4965000 | 4,963,000 |
| 33 | 1 | Shareholding From 5775001 To 5780000 | 5,780,000 |
| 34 | 1 | Shareholding From 8060001 To 8065000 | 8,063,500 |
| 35 | 1 | Shareholding From 8555001 To 8560000 | 8,558,161 |
| 36 | 1 | Shareholding From 9715001 To 9720000 | 9,720,000 |
| 37 | 1 | Shareholding From 9985001 To 9990000 | 9,986,500 |
| 38 | 1 | Shareholding From 10990001 To 10995000 | 10,994,500 |
| 39 | 1 | Shareholding From 11995001 To 12000000 | 12,000,000 |
| 40 | 1 | Shareholding From 13285001 To 13290000 | 13,288,204 |
| 41 | 1 | Shareholding From 19500001 To 19505000 | 19,504,194 |
| 42 | 1 | Shareholding From 27375001 To 27380000 | 27,380,000 |
| 43 | 1 | Shareholding From 30250001 To 30255000 | 30,251,558 |
| 44 | 1 | Shareholding From 38100001 To 38105000 | 38,102,442 |
| 45 | 1 | Shareholding From 755245001 To 755250000 | 755,245,007 |
| 4337 | | Percentage: 100% | 1,072,464,262 |

| Categories of Shareholders | Shares Held | Percentage % |
|--|----------------------|---------------|
| Banks, Development Financial institutions, Non-Banking Financial Insitutions. | 172,451 | 0.02 |
| Insurance Companies | 19,604,194 | 1.83 |
| Directors, Chief Executive Officer, and their Spouse and Minor Children | | |
| Mr. Ali Jehangir Siddiqui | 500 | |
| Mr. Adil Matcheswala | 200,000 | |
| Mr. Ashraf Nawabi | 1 | |
| Mr. G.M. Sikander | 1 | |
| Mr. Kalim-ur-Rahman | 1 | |
| Mr. Munawar Alam Siddiqui | 1 | |
| Ms. Nargis Ghaloo | 33,001 | |
| Mr. Shahab Anwar Khawaja | 1 | |
| Ms. Safia Munawar | 155,000 | |
| Sub -Totals: | 388,500 | 0.03 |
| Associated Companies, Undertaking and Related Parties. | | |
| Jahangir Siddiqui & Co. Limited | 755,245,007 | 70.42 |
| Modarabas and Mutual Funds | 11,209,992 | 1.05 |
| NIT and ICP | | |
| Investment Corp. of Pakistan | 972 | 0.00 |
| Foreign Investors | 28,350,666 | 2.64 |
| Others | 148,281,538 | 13.83 |
| Local - Individuals | 109,210,936 | 10.18 |
| G-Totals | 1,072,464,262 | 100.00 |

Details of the tansactios carried out by the Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary and their spouse and minor children during the period from January 01, 2017 to December 31, 2017

None of the Directors, CEO, CFO and Company Secretary their spouse and minor children during the year January 1, 2017 to December 31, 2017 carried out transactions in the shares of the bank, except Ms. Nargis Ghaloo - Director who purchased 33,000 shares of the Bank.

Branch Network

Branch Network:

SINDH

Karachi

| | |
|---|---|
| Zamzama Branch Tel: 021 - 35295224 - 5 | North Napier Branch Tel: 021 - 32467791 - 94 |
| F.B Area Branch Tel: 021 - 36316229 | Electronic Market Branch Tel: 021 - 32700430 - 33 |
| Khy-e-Shahbaz, DHA Phase VI Branch Tel: 021 - 35243415 - 9 | Urdu Bazar Branch Tel: 021 - 32603075 - 77 |
| Gulshan Chowrangi Branch Tel: 021 - 34833290 - 3 | Bahadarabad Branch Tel: 021 - 34922802 - 05 |
| Dhoraji Branch Tel: 021 - 34946280 - 2 | Sohrab Goth Branch Tel: 021 - 34690612 - 17 |
| Shah Faisal Colony Branch Tel: 021 - 34686191 - 4 | North Karachi Industrial Area Branch Tel: 021 - 36962910 - 11 |
| Islamia College Branch Tel: 021 - 34924021 - 4 | UP Morr Branch Tel: 021 - 36948010 - 15 |
| M.A. Jinnah Road Branch Tel: 021 - 32742006 - 8 | Orangi Town Branch Tel: 021 - 36697927 - 30 |
| Lucky Star Branch Tel: 021 - 35622431 - 9 | IBA City Campus Branch Tel: 021 - 32294811 - 13 |
| Gulshan-e-Iqbal Branch Tel: 021 - 34829055 - 60 | 26th Street DHA Phase V Branch Tel: 021 - 35055826 |
| Shahrah-e-Faisal Branch Tel: 021 - 34373240 - 4 | Landhi Branch Tel: 021 - 35046923 - 25 |
| North Nazimabad Branch Tel: 021 - 36721010 - 2 | Progressive Centre, Shahrah-e-Faisal Branch Tel: 021 - 34324682 - 5 |
| Gulistan-e-Jauhar Branch Tel: 021 - 34662002 - 5 | Khy - e- Bokhari I DHA Phase IV Branch Tel: 021 - 35340353 - 60 |
| Safoora Goth Branch Tel: 021 - 34661805 - 9 | Korangi Road, DHA Phase I Branch Tel: 021 - 35803541 |
| Jheel Park Branch Tel: 021 - 34544831 - 5 | Hayderi Market Branch Tel: 021 - 36677904 |
| Nazimabad Branch Tel: 021 - 36612325 | Shershah Branch Tel: 021 - 32581013 -17 |
| Korangi Industrial Area Branch Tel: 021 - 35055826 021 - 35052773 | |

Branch Network

Malir Cantt Branch
Tel: 021 - 34490225 - 27/29

Ocean Mall Branch
Tel: 021-3516601 - 02

Regal Chowk Saddar Branch
Tel: 021 - 35630591 - 99

Marriott Road Branch
Tel: 021 - 32469609 - 11

The Center Saddar Branch
Tel: 021 - 35165560 - 7

DHA Phase 8 Branch
Tel: 0345 - 8211949 - 51

Bohara Pir Branch
Tel: 021 - 32713124 - 7

Khadda Market DHA Phase V
Branch
Tel: 021 - 35242401 - 4

Delhi Colony Branch
Tel: 021 - 35168645 - 6

Papoosh Nagar Branch
Tel: 021 - 36700071 - 3

Boat Basin Branch
Tel: 021 - 35177900 - 07

New Sabzi Mandi Branch
Tel: 0345 - 8211641 - 43

Clifton Block-2 Branch
Tel: 021 - 35177909

Chase Shaheed-e-Millat Road
Branch
Tel: 021 - 34370270 - 71

Hyderabad

Saddar Branch
Tel: 022 - 2730925 - 7

Latifabad Branch
Tel: 022 - 3817971 - 4

Cloth Market Branch
Tel: 022 - 26182700 - 13

Qasimabad Branch
Tel: 022 - 2652191

Citizen Colony Branch
Tel: 022 - 2100892 - 95

SITE Branch
Tel: 022 - 3885192

DHA Branch
Tel: 022 - 2108078

Anaj Mandi Branch
Tel: 022 - 2638802 - 3

Latifabad No: 6 Branch
Tel: 022 - 3411521 - 6

Sanghar

Sanghar Branch
Tel: 0235 - 800162 - 5

Chak 41 Jamrao Branch
Tel: 0345 - 8211961
0345 - 8211971

Jamshoro Branch
Tel: 022 - 3878101 - 4

Mirpurkhas Branch
Tel: 0233 - 876001 - 4

Kot Ghulam Muhammad Branch
Tel: 0233 - 866242 - 4

Sukkur

Shaheed Gunj Branch
Tel: 071 - 5627481 - 2

IBA Campus Branch
Tel: 071 - 5633826

Military Road Branch
Tel: 071 - 5630830 - 31

Pano Aqil Branch
Tel: 071 - 5690403

Larkana Branch
Tel: 074 - 4058603 - 5

Khairpur Branch
Tel: 024 - 3715316 - 8

Maatli Branch Badin
Tel: 029 - 7841514

Nawabshah Branch
Tel: 024 - 4330561 - 4

Sultanabad Branch
Tel: 0233 - 500498

Tando Allahyar Branch
Tel: 0223 - 892001 - 4

Chambar Branch
Tel: 0223 - 897033 - 35

Moro Branch
Tel: 0242 - 413200 - 3

Kunri Branch
Tel: 0238 - 558163 - 6

Tando Mohammad Khan Branch
Tel: 022 - 3340617 - 8

Digri Branch
Tel: 023 - 3870305 - 7

Sehwan Sharif Branch
Tel: 025 - 4620305 - 7

Ghotki Branch
Tel: 072 - 3600484 - 85

Kandhkot Branch Kashmore
Tel: 072 - 2573048

Branch Network

Shikarpur Branch
Tel: 072 - 6540374 - 75

Shahdadkot Branch
Tel: 074 - 4013160

Shahdadpur Branch
Tel: 0235 - 84317475

Mithi Branch
Tel: 0232 - 261651

Tando Adam Branch
Tel: 0235 - 571880 - 81

Mehar Branch
Tel: 025 - 4730186

Dadu Branch
Tel: 025 - 471160102

Jacobabad Branch
Tel: 0722 - 652677

Badin Branch
Tel: 0297 - 861201

Tando Jam Branch
Tel: 022 - 2765612 - 14

Thatta Branch
Tel: 029 - 8550934

Umerkot Branch
Tel: 0238 - 570157 - 59

Sheikh Berkiyo Branch
Tel: 0335 - 2929824 - 23

Behar Colony Kotri Branch
Tel: 022 - 3871401 - 03 - 06

Bhiria City Branch
Tel: 0242 - 432131 - 35

Khipro Branch
Tel: 0235 - 879073 - 6

Fisheries Branch Karachi

Daharki Branch Ghotki
Kashmore Branch Kandhkot

Golarchi Branch Badin

BALUCHISTAN

Quetta

Cantt Branch
Tel: 081 - 2863301

M.A. Jinnah Road Branch
Tel: 081 - 286 5501 - 4

Zarghoon Road Branch
Tel: 081 - 2472985

Dera Murad Jamali Branch Nairabad
Tel: 0838 - 710266

Usta Muhammad Branch Jafarabad
Tel: 083 - 8612421/23

Gawadar Branch
Tel: 086 - 4210246

Dukki Branch
Tel: 0824 - 666172

Khanozai Branch
Tel: 082 - 6427207

Muslim Bagh Qilla Saifullah, Zhob

PUNJAB

Lahore

Upper Mall Branch
Tel: 042 - 111 - 572 - 265

Allama Iqbal Town Branch
Tel: 042 - 35434253 - 5

Azam Cloth Market Branch
Tel: 042 - 37671195 - 6

Shadman Branch
Tel: 042 - 37503701 - 8

College Road Township Branch
Tel: 042 - 35117491 - 94

Devine Mega Mall Branch
Tel: 042 - 35700081 - 85

Bhagbanpura Branch
Tel: 042 - 36858873 - 74

Chowburji Branch
Tel: 042 - 37362981 - 8

Wapda Town Branch
Tel: 042 - 35211557 - 64

M.M. Alam Road Branch
Tel: 042 - 35778721 - 30

Model Town Branch
Tel: 042 - 35915614 - 8

Circular Road Branch
Tel: 042 -37379325 - 8

Brandreth Road Branch
Tel: 042 - 37381316 - 9

DHA Phase II Branch
Tel: 042 - 35707651 - 9

Shah Alam Market Branch
Tel: 042 - 37375734 - 7

Cavalry Branch
Tel: 042 - 366 10282 - 4

Raiwind Road Branch
Tel: 042 - 529 1247 - 8

Urdu Bazar Branch
Tel: 042 - 37115918

Badami Bagh Branch
Tel: 042 - 37946853

Bahria Town Branch
Tel: 042 - 35976212

Branch Network

Ichra Bazar Branch
Tel: 042 - 37428406

Shahdara Branch
Tel: 0423 - 7931903 - 5

Shadbagh Branch
Tel: 042 - 37604549 - 51

DHA Phase VI Branch
Tel: 042 - 37180747

Johar Town Branch
Tel: 042 - 35241084 - 90

Zarar Shaheed Road Branch
Tel: 042 - 36639902 - 05

DHA Z – Block Branch
Tel: 042 - 35692957 - 59

Ferozpur Road Branch
Tel: 042 - 35402151 - 3

The Mall Branch
Tel: 042 - 36285673 - 7

Gulberg Branch
Tel: 042 - 35771036 - 38

Mughalpura Branch
Tel: 042 - 36533818 - 822

Gulshan Ravi Branch
Tel: 042 - 35464541 - 43

New Garden Town Branch
Tel: 042 - 35940463 - 7

Timber Market Ravi Road Branch
Tel: 042 - 37721924 - 7

Walton Road Branch
Tel: 042 - 36677204 - 06

Mcleod Road
Tel: 042 - 36311176

Muridke Branch
Tel: 042 - 37951054 - 7

Gujranwala

G.T. Road Branch
Tel: 055 - 3257363
055 - 3257365
055 - 3257617

Bank Square Branch
Tel: 055 - 4234401 - 3

Sheikhupura Road Branch
Tel: 055 - 4233854 - 57

Kamoki Branch
Tel: 055 - 6810282 - 83 - 85

Ghakkhar Mandi Branch
Tel: 055 - 3882556 - 59
055 - 3882561

Wazirabad Branch
Tel: 055 - 6605841 - 4

Faisalabad

Grain Market Branch
Tel: 041 - 2633382 - 84

Karkhana Bazar Branch
Tel: 041 - 2624501 - 3

Liaquat Road Branch
Tel: 041 - 241 2263 - 65

Satiana Road Branch
Tel: 041 - 8556381 - 85

Millat Chowk Gulistan Colony
Branch
Tel: 041 - 8785791 - 5

Ghulam Mohammad Abad Branch
Tel: 041 - 2692192 - 94

Multan

Abdali Road Branch
Tel: 061 - 4574496

Vehari Road Branch
Tel: 061 - 6241101 - 02

Bosan Road Branch
Tel: 061 - 6223416

Mouza Gajju Hatta Branch
Tel: 061 - 4396046 - 9

Wapda Town Phase 1 Branch
Tel: 061 - 6524733 - 38

Sialkot

Cantt Branch
Tel: 052 - 427 2351- 4

Shahab Pura Branch
Tel: 052 - 4242681

Nekapura Branch
Tel: 052 - 3543582 - 4

Daska Branch
Tel: 052 - 6610461- 4

Ugoki Branch
Tel: 052 - 3513952

Kasur

Kasur Branch
Tel: 049 - 276158 - 4

Agrow Kasur Branch
Tel: 049 - 2771308 - 9

Branch Network

Agrow Allahabad Theeng Morr
Branch
Tel: 049 - 2016310
049 - 2016312

Sheikhupura

Sheikhupura Branch
Tel: 056 - 3810273 - 6

Agrow Sheikhupura Branch
Tel: 056 - 3035790

Agrow Warburton Branch
Tel: 056 - 2794065 - 8

Nankana Sahab Branch
Tel: 056 - 2877503 - 4

Sahiwal

Sahiwal Branch
Tel: 040 - 4222733 - 5

Chichawatni Branch
Tel: 040 - 5481792

Chak No. 89 Branch
Tel: 040 - 4550409 - 10/11 - 16

Pak Pattan

Pak Pattan Branch
Tel: 0457- 352591 - 4

Agrow Pak Pattan Branch
Tel: 0457 - 419629

Qaboola Branch
Tel: 0457 - 851248 - 51

Dinga Branch
Tel: 0537 - 401368

Gulyana Branch
Tel: 0537- 588460 - 64

Kharian Branch
Tel: 0537 - 534211

Lala Musa Branch
Tel: 0537 - 519656 - 8

Depalpur Branch
Tel: 044 - 4542246 - 9

Okara Branch
Tel: 044 - 252872 - 30

Gojra Branch
Tel: 046 - 3513637

Pirmahal Branch
Tel: 046 - 3367406 - 7

Toba Tek Singh Branch
Tel: 046 - 2512052 - 5

Layyah Branch
Tel: 060 - 6415045

Chah Chand Wala Branch Rajanpur
Tel: 060 - 4567122

Haroonabad Branch
Tel: 063 - 2250614 - 15

Agrow Chishtian Branch
Tel: 063 - 2023490

Rahim Yar Khan Branch
Tel: 068 - 5879511 - 4

Sadiqabad Branch
Tel: 068 - 5803933 - 38

Mouza Kachi Jamal Branch
Khanpur
Tel: 068 - 5577190 - 195

Narowal Branch
Tel: 054 - 2411271 - 73

Jehlum Branch
Tel: 054 - 4611840 - 3

Dina Branch
Tel: 054 - 4634273 - 5

Chakwal Branch
Tel: 054 - 3554317

Rabwa Branch
Tel: 047 - 6214042 - 5

Jhang Branch
Tel: 047 - 7652941 - 43

Chiniot Branch
Tel: 047 - 6332713 - 14

Hasilpur Branch
Tel: 062 - 2441305 - 8

Bhawalpur Branch
Tel: 062 - 2889176 - 78

Gujrat Branch
Tel: 053 - 3538091 - 4

Kacheri Chowk Branch
Tel: 053 - 3600583

Khanewal Branch
Tel: 065 - 2557491 - 3

Mian Chunnoo Branch
Tel: 065 - 2661282 - 85

Mouza Parhar Sharqi Kot Addu
Branch
Tel: 066 - 2240146 - 49

Muzaffargarh Branch
Tel: 066 - 2424691 - 2

Vehari Branch
Tel: 067- 3360715 - 8

Burewala Branch
Tel: 067 - 3351359

Gagoo Mandi Branch
Tel: 067 - 3501071 - 76

Sargodha Branch
Tel: 048 - 3768286 - 90

DG Khan Branch
Tel: 064 - 2470954

Branch Network

Jauharabad Branch
Tel: 045 - 4723319 - 20 - 22

Hafizabad Branch
Tel: 0547 - 526407 - 10

Sambrial Branch
Tel: 0526 - 524105

Bhakkar Branch
Tel: 0453 - 510407 - 409

Arifwala Branch
Tel: 0457 - 835 477 - 81

Jalalpur Jattan Branch
Tel: 05827 - 404389 - 91

Mandi Bahauddin Branch
Tel: 0546 - 509452 - 3

Lodhran Branch
Tel: 0608 - 361892 - 93

Bahawalnagar Branch
Tel: 063 - 2279434 - 38

Mandi Faizabad Branch
Tel: 0423 - 7931903 - 5

Gohad Pur Branch
Tel: 0524 - 265499 - 98

Rawalpindi

PWD/DHA Ph-2 Branch
Tel: 051 - 5170584 - 5

Satellite Town Branch
Tel: 051 - 4842984 - 6

Bank Road Branch
Tel: 051 - 5120731 - 5

Raja Bazar Branch
Tel: 051 - 5778560 - 3

Bahria Town Branch
Tel: 051 - 5731351 - 4

Saidpur Road Branch
Tel: 051 - 5768049

Peshawar Road Branch
Tel: 051 - 5492873 - 4

Bahria Town Phase VII Branch
Tel: 051 - 5154891 - 4

Chaklala III / Airport housing Society
Branch
Tel: 051 - 5497012 - 15

Chakri Road Branch
Tel: 051 - 5129024

Range Road Branch
Tel: 051 - 5128871
051 - 5128875

Kurri Road Branch
Tel: 051 - 4930342 - 43 - 45

Khayaban-e-Sir Syed Branch
Tel: 051 - 4832091 - 94

Wah Cantt Branch
Tel: 051 - 4256022

Falcon Complex Branch
0311 - 1279501 - 505 - 512

RCCI industrial Estate, Rawat
Branch Tel: 0345 - 8210861 -71

Islamabad

Blue Area Branch
Tel: 051 - 111 - 572 - 265

I - 9 Markaz Branch
Tel: 051 - 4431296 - 8

F - 8 Markaz Branch
Tel: 051 - 2818296 - 8

F - 7 Markaz Branch
Tel: 051 - 2608402 - 5

I - 8 Markaz Branch
Tel: 051 - 4864523 - 6

F- 10 Markaz Branch
Tel: 051 - 2112957 - 58

Islamabad Stock Exchange Branch
Tel: 051 - 2894407 - 10

DHA Phase II Branch
Tel: 051 - 4358882

Khanna Pul Branch
Tel: 051 - 4478006 - 07

G - 11 Markaz Branch
Tel: 051 - 2830601

E - 11 Markaz Branch
Tel: 051 - 2304993

G - 15 Markaz Branch
Tel: 051 - 2160240 - 41

G - 13 Markaz Branch
Tel: 051 - 2301378 - 9

Tarlai Branch
Tel: 051 - 2241860-4 - 66

Barakahu Branch
Tel: 051 - 216503 2 - 7

Taxila Branch
Tel: 051 - 4535315

Mouza Ghalwan Muzaffargarh

Sunder Industrial Estate Lahore

Talangang Chakwal

Paris Road Sialkot

Valancia Society Lahore

Lalazar Rawalpindi Cantt Rawalpindi

Liaqat Shaeed Road Bhalwal

Branch Network

B-17 Islamabad

Gulberg Green Islamabad

KHYBER PAKHTOONKHWA
Peshawar

Cantt Branch
Tel: 091 - 5279981

University Road Branch
Tel: 091 - 5711572 - 5

Karkhano Bazar Branch
Tel: 091 - 5893134 - 7

G.T Road Branch
Tel: 091 - 2593901 - 4

Dabgari Gardens Branch
Tel: 091 - 2591422 - 7

Grain Market Branch
Tel: 091- 2590673 - 8

Shakus Branch
Tel: 091 - 5602382 - 83 - 85

Topi Branch
Tel: 0938 - 272003 - 4

Attock Branch
Tel: 0572 - 610500

Bafa Branch Mansehra
Tel: 0997- 5110024 - 6

Mansehra Branch
Tel: 0997 - 301882 - 84

Mardan Branch
Tel: 0937 - 873445 - 873452

D I Khan Branch
Tel: 0966 - 733216 -19

Mingora Branch
Tel: 0946 - 711740 - 43

Abbottabad Branch
Tel: 099 - 2331491 - 4

Saleh Khana Branch
Tel: 0923 - 651113 - 17

Timergara Branch
Tel: 0945 - 821921

Haripur Branch
Tel: 0995 - 627370

Bannu Branch
Tel: 0928 - 6601673

Nowshera Branch
Tel: 092 - 3612004

Mattanichangan Village Tordher
Branch
Tel: 093 - 8537567

Chahkdarah Malakand Agency
Branch

AZAD JAMMU & KASHMIR (AJK)

Chaksawari Branch
Tel: 05827 - 454790

Mirpur Branch
Tel: 05827 - 437281 - 4

Jatlan Branch
Tel: 05827 - 404388

Dadyal Branch
Tel: 0586 - 3044668 - 70

Naarr Branch
Tel: 05826 - 420784 - 85

Muzaffarabad Branch
Tel: 05822 - 929765 - 7

Kotli Branch
Tel: 05826 - 448228 -30

Khui Ratta Branch
Tel: 05826 - 414906 - 7

Shensa Branch
Tel: 05826 - 422779 - 422300

Rawalakot Branch
Tel: 05824 - 445961 - 63

Charroi Branch
05826 - 415474 - 76

Hattian Muzaffarabad Branch
Tel: 058 - 22424011 - 14

Seri Branch
Tel: 058 - 26 - 432731 - 4

Chitral Branch
Tel: 0943 - 413027 - 29

Bagh Branch
Tel: 0346 - 5449449

GILGIT BALTISTAN

Gilgit Branch
Tel: 0581 - 150615 - 7

Chilas Branch

International Branch

Bahrain Branch
Tel: 00973 - 17104603

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Form of Proxy

12th Annual General Meeting

The Company Secretary

JS Bank Limited

Shaheen Commercial Complex

Dr. Ziauddin Ahmed Road

P.O. Box 4847 Karachi 74200 Pakistan

I/We _____ of _____ being member(s) of JS Bank Limited holding _____ ordinary shares as per Register Folio No./CDC /A/c No. _____ hereby appoint _____ of _____ or failing him _____ of _____ as my / our proxy to attend, act and vote for me / us and on my / our behalf at the 12th Annual General Meeting of the Bank to be held on March 29, 2018 and / or any adjournment thereof.

As witness my / our hand / seal this ____ day of _____ 2018 signed by _____ in the presence of (name & address)

Witness:

1. Name: _____
Address _____
CNIC or _____
Passport No. _____
Signature _____

Signature on Rs. 5/-
Revenue Stamp

The signature should
agree with the specimen
registered with the Bank

Witness:

2. Name: _____
Address _____
CNIC or _____
Passport No. _____
Signature _____

Important:

1. A member of the Bank entitled to attend and vote may appoint another member as his / her proxy to attend and vote instead of him / her.
2. The proxy form, duly completed and signed, must be received at the Office of the Bank situated at Shaheen Commercial Complex Dr. Ziauddin Ahmed Road, Karachi 74200 not less than 48 hours before the time of holding the meeting.
3. No person shall act as proxy unless he / she himself is a member of the Bank, except that a corporation may appoint a person who is not a member.
4. If a member appoints more than one proxy and / or more than one instruments of proxy are deposited by a member with the Bank, all such instruments of proxy shall be rendered invalid.
5. Beneficial Owner of the physical shares and the shares registered in the name of Central Depository Company of Pakistan Ltd (CDC) and / or their proxies are required to produce their original Computerized National Identity Card (CNIC) or Passport for identification purposes at the time of attending meeting. The Form of proxy must be submitted with the Bank within the stipulated time, duly witnessed by two persons whose names, address and CNIC numbers must be mentioned on the form, along with attested copies of CNIC or the Passport of the beneficial owner and the proxy. In case of a corporate entity, the Board of Directors' Resolution / Power of Attorney along with the specimen signature shall be submitted (unless it has been provided earlier along with the proxy form to the Bank).

اہم نوٹ:

- 1- بینک کا کوئی ممبر کسی دوسرے ممبر کو اپنی جگہ اجلاس میں حاضر ہونے، حصہ لینے اور ووٹ دینے کیلئے عوضی مقرر کر سکتا ہے۔
- 2- باقاعدہ مکمل اور دستخط شدہ پراکسی فارم اجلاس عام کے انعقاد سے کم از کم 48 گھنٹے قبل بینک کے دفتر بمقام شاہین کمرشل کمپلیکس، ڈاکٹر ضیاء الدین احمد روڈ، پی او باکس نمبر 4847، کراچی 74200، پاکستان پر موصول ہو جانا چاہئیں۔
- 3- ایسا کوئی شخص بطور عوضی اجلاس میں شریک نہیں ہو سکتا جو بینک کا ممبر نہ ہو، ماسوائے کوئی کارپوریشن جو کسی غیر ممبر کو اپنا عوضی مقرر کر سکتی ہے۔
- 4- اگر کوئی ممبر ایک سے زائد عوضی مقرر کرتا ہے اور ایک سے زائد عوضی فارم بینک کو موصول ہوتے ہیں تو ایسے تمام فارم منسوخ تصور کئے جائیں گے۔
- 5- فزیکل حصص کے مالکان اور سی ڈی سی میں رجسٹرڈ حصص کے مالکان اور/یا ان کے عوضی کو اجلاس میں شرکت کے وقت اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ (CNIC) یا پاسپورٹ شناختی مقاصد کیلئے پیش کرنا ہوگا۔ باقاعدہ مکمل اور دستخط شدہ پراکسی فارم بینک میں مقررہ وقت پر جمع کروادیا جائے، جس پر دو گواہوں کے دستخط، نام، پتہ، کمپیوٹرائزڈ قومی شناختی کارڈ نمبر یا پاسپورٹ نمبر درج ہو۔ اس کے ہمراہ بینیفیشل مالک اور پراکسی کے کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ نقل بھی منسلک ہونا ضروری ہے۔ کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/ پاور آف اٹارنی بمعہ نمونے کے دستخط جمع کروانی جائے (اگر پہلے سے پراکسی فارم کے ہمراہ جمع نہیں کروانی گئی)



Shaheen Commercial Complex,
Dr. Ziauddin Ahmed Road, P.O. Box 4847,
Karachi-74200, Pakistan.
UAN: +92 21 111 JS BANK (572-265)

