



211 Branches in 112 Cities



**GROWING
WITH
STRENGTH**

ANNUAL REPORT 2013



ANNUAL REPORT 2013

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PATTERN OF SAHREHOLDING

FORM OF PROXY



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

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





Integrity

We operate with best business ethics, treating our customers and all stakeholders with respect, trust and honesty of purpose.

Customer Focus

We place our customers at the center of all our activities and act in their best interests. Our business culture is not driven by short-term gains, instead we place a premium on long-term sustainable relationships with our customers to realize their goals.

Creativity & Innovation

We approach banking and financial solutions in a forward-looking manner, cultivating and fostering in each other an entrepreneurial spirit.

Team Work

We employ the best of each other's talent through a collaborative approach to achieving optimum solutions.

Personal Accountability

We believe that disciplined management of risk is the cornerstone of our business strategy. We must take decisions that are clear, fair, and grounded in the principles of shared success and accountability.

Good Citizenship

We do things to make society a better place. We stay informed, obey laws and rules, and respect the rights and authority of others.



WELCOME TO THE WORLD OF PRIVILEGES

JS Bank Credit Card empowers you to shop at over 28 million locations worldwide, facilitated with amazing discounts at different outlets.

BOARD OF DIRECTORS

Mr. Jahangir Siddiqui
Chairman

Mr. Ashraf Nawabi
Independent Director

Mr. Shahab Anwar Khawaja
Independent Director

Mr. G. M. Sikander
Independent Director

Mr. Mazharul Haq Siddiqui
Non-Executive Director

Mr. Adil Matcheswala
Non-Executive Director

Mr. Kalim-ur-Rahman
Non-Executive Director



**COMPANY
INFORMATION**

PRESIDENT & CHIEF EXECUTIVE OFFICER

Mr. Khalid Imran

AUDIT COMMITTEE

Mr. Shahab Anwar Khawaja
Chairman

Mr. Jahangir Siddiqui
Member

Mr. Adil Matcheswala
Member

HUMAN RESOURCE & REMUNERATIONS COMMITTEE

Mr. Jahangir Siddiqui
Chairman

Mr. Mazharul Haq Siddiqui
Member

Mr. Kalim-ur-Rahman
Member

Mr. Khalid Imran
Member

RISK MANAGEMENT COMMITTEE

Mr. Jahangir Siddiqui
Chairman

Mr. Ashraf Nawabi
Member

Mr. Adil Matcheswala
Member

Mr. Khalid Imran
Member

Company Secretary

Mr. Muhammad Yousuf Amanullah

Auditors

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

Legal Advisors

Haidermota BNR
Liaquat Merchants Associates
Bawany & Partners

Share Registrar

Technology Trade (Pvt) Limited
241-C, Block - 2, P.E.C.H.S, Karachi

Registered Office

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

CSR Partner



www.mjsf.org



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

Founded in 2003, MJSF was established by Mr. Jahangir Siddiqui and his wife Mrs. Mahvash Siddiqui, a retired civil servant and a university professor. MJSF is a leading charitable, non-profit, non-partisan organization primarily focusing on healthcare, education, sustainable development through social enterprise and humanitarian relief. MJSF targets the root causes of poverty in Pakistan and is a major donor to numerous philanthropic endeavors nationwide. The Foundation is registered with Pakistan Centre for Philanthropy and Pakistan Red Crescent Society and is audited annually by KPMG Taseer Hadi & Co.

Through its various initiatives, MJSF aims to build an educated, healthy and prosperous society with dignity and honor for people by providing healthcare, education and promoting the economic and social development of underprivileged members of our society. In achieving its mission, the Foundation has also partnered with internationally acknowledged organizations including The United Nations (UN), Provincial Disaster Management Authority Sindh (PDMA), World Food Program (WFP), UN Habitat for Humanity, National University of Singapore (NUS), Weill Cornell Medical College Qatar, International Organization for Migration (IOM) and various international and local academies and foundations for education, disability and healthcare.



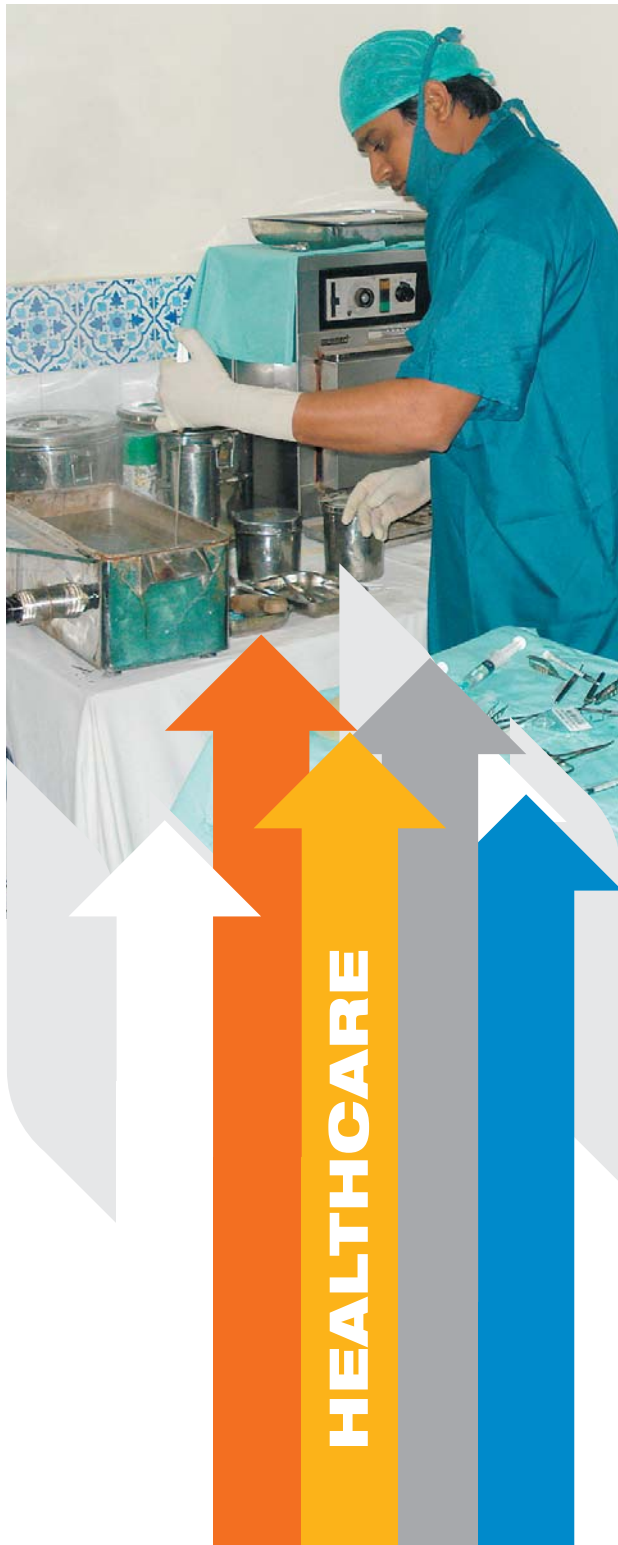
MJSF's education programs focus on:

- Higher education through university grants
- Mainstream education and schools for disabled children
- Vocational Training
- Specialized programs such as the development of schools in rural areas

The Foundation has extended grants to prominent institutions in Pakistan including Lahore University of Management Sciences (LUMS), Karachi Education Initiative (KEI) for the Karachi School for Business and Leadership (KSBL) and Institute of Business Administration (IBA). It also offers subsidized and full scholarship education for children through JS Academy for the Deaf, Fakhr-e-Imdad Foundation (FIF) schools and intermediate college and various other schools near villages or factories where JS Group has a business interest.

MJSF is also supporting IBA Sukkur in the creation of an Endowment Fund for sustainable financial support programs at the Institute and the Progressive Education Network (PEN) to extend its educational support in Punjab. MJSF has also set up a vocational center, Karigar Training Institute in Karachi and hopes to replicate the model nationwide to maximize its impact.





The Foundation has a deep commitment to public health and supports existing hospitals and medical facilities. This includes:

- Upgrading and adding specialist wards
- Developing healthcare facilities in rural areas
- Providing mobile healthcare in hard-to-reach areas
- Medical camps in rural areas
- Distribution of wheelchairs

MJSF is linked with numerous projects and organizations in health care including; Sindh Institute of Urology and Transplantation (SIUT), Karachi National Hospital, National Institute of Cardiovascular Diseases (NICVD), Indus Hospital and other notable social enterprises. In partnership with the Allianz Direct Help Foundation, MJSF has initiated a project to construct a healthcare facility in the city of Sehwan Sharif. The facility will have full imaging and pathology services. It also specializes in trauma services along with the development of a mother and child care centre.

The Social Enterprise and Sustainable Development (SESD) program aims to fund projects that are economically productive, sustainable and that remove the need for constant grants by allowing the underprivileged to establish businesses, earn a living and contribute productively to their communities.

The Foundation has a long-established partnership with Acumen Fund. Through this partnership, MJSF to date has contributed US\$ 2,000,000 to their causes. Acumen Fund has actively invested in Pakistan since 2001 in social programs and businesses. MJSF is also the pioneer sponsor of Acumen Fund - Pakistan Fellows Program, a program designed for people from different regions, sectors and socio-economic backgrounds dedicated to addressing Pakistan's most critical social problems, through social change initiatives.

MJSF has also been the pioneer of another sustainable project 'Rs100 per day per family'- a project launched in 2013 that aims to create livelihood opportunities for 200 flood affected families across three villages in the Matiari region of Southern Sindh through the distribution of 30 poultry birds to each family. With an estimated productive yield of 60% (supported by technical knowledge workshops), the objective of this project is to enable families to sustainably earn a stable income.





**EMERGENCY &
DISASTER
RELIEF**

MJSF activities have a strong focus on immediate disaster relief. MJSF contributed immensely at the time of:

- 2005 earthquake in Azad-Jammu, Kashmir (AJK) and Khyber-Pakhtoonkhwa Province in Pakistan
- 2008 Swat Conflict, Internally Displaced Persons (IDP) Crisis
- 2010 Super Floods
- Disaster Response

The Foundation has always provided quick disaster relief during times of natural emergencies by mobilizing all of its resources to provide immediate aid to those impacted and providing large-scale support in the form of both Food Aid and Non-Food Aid. The Foundation, recently in partnership with IOM, has also initiated a Public Private Partnership project constructing 250 - one room shelters in three flood-affected districts in Sindh. As part of the 1st phase, 150 shelters will be constructed in Southern Sindh.



SECURE AND SMART WAYS TO CARRY CASH

JS Bank Rupee Traveller's Cheque is an easy-to-use instrument allowing customers great flexibility in conducting transactions when they are on the move across Pakistan.

Notice of Eighth Annual General Meeting

Notice is hereby given that the Eighth Annual General Meeting of the shareholders of JS Bank Limited (the "Bank") will be held on March 29, 2014 at 9:30 am at Carlton Hotel, Karachi to transact the following business.

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Annual Standalone and Consolidated Financial Statements of the Bank for the year ended December 31, 2013 together with the Directors' and Auditors' Reports thereon.
2. To appoint the Auditors of the Bank for the year ending December 31, 2014 and to fix their remuneration. Present auditors M. Yousuf Adil Saleem & Co. Chartered. Accountants a member firm of Deloitte Touche Tohmatsu retire and being eligible have offered themselves for re-appointment.

SPECIAL BUSINESS:

3. Subject to regulatory approvals and permissions, to approve listing of non-voting, perpetual, irredeemable, non cumulative and convertible preference shares issued by the Bank pursuant to special resolution dated November 23, 2013, on one or more stock exchanges.

Karachi: March 07, 2014

By Order of the Board
Muhammad Yousuf Amanullah
Company Secretary

Notes:

1. Share transfer books of the Bank will remain closed from March 22, 2014 to March 28, 2014 (both days inclusive) to determine the names of members entitled to attend the meeting and vote. Transfers received in order at Dagia House, 241-C, Block 2, PECHS, Karachi at the close of business on March 21, 2014 will be treated in time for the purpose of attending the meeting.
2. A member of the Bank entitled to attend and vote may appoint another member as his/her proxy to attend and vote instead of him/her.
3. Proxies must be received at the Registered Office of the Bank not less than 48 hours before the time of the meeting.
4. Beneficial owners of the shares registered in the name of Central Depository Company of Pakistan (CDC) and/or their proxies will have to follow the following guidelines as laid down by the Securities and Exchange Commission of Pakistan:

A. For Attending the Meeting

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

B. For Appointing Proxies

- a. In case of individuals, the account holder and/or sub-account holder whose registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per above requirements.
- b. The proxy form shall be witnessed by two persons, whose names, addresses and CNIC numbers shall be mentioned on the form.
- c. Attested copies of the CNIC or the passport of beneficial owners and the proxy shall be furnished with the proxy form.
- d. The proxy shall produce his original CNIC or original passport at the time of the meeting.

Notice of Eighth Annual General Meeting

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

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

STATEMENT UNDER SECTION 160 (1) (B) OF THE COMPANIES ORDINANCE, 1984

This statement sets out the material facts pertaining to the special business to be transacted at the Annual General Meeting of JS Bank Limited (the "Bank") to be held on March 29, 2014.

On the basis of special resolution passed by the shareholders on November 23, 2014, Securities and Exchange Commission of Pakistan vide its letter No. EMD/CI/102/2010- dated December 19, 2013 and the State Bank of Pakistan vide its letter No. BPRD/BA&CP/649/19755/2013 dated December 30, 2013 granted approval to the Bank for issue of 150,000,000 unlisted, perpetual, non-cumulative, non-voting, irredeemable and convertible Preference Shares to its existing shareholders as right shares under rule 5 of the Companies' Share Capital (Variation in Rights and Privileges) Rules 2000 read with Section 90 of the Companies Ordinance 1984 ("Ordinance") and issue of 225,000,000 ordinary shares of the Bank to the holders of Preference Shares upon conversion at the end of 4 (four) years period in terms of Section 84 (1) (d) of the Ordinance at Rs. 6.67 per share i.e., at a discount of Rs. 33.33% in terms of Section 84 (2) of the Ordinance and otherwise than right shares in terms of Section 86 (1) of the Ordinance.

After fulfilment of all legal requirements, the Bank has issued 150,000,000 preference shares on 19 February 2014.

The Board of Directors of the Bank have now decided to list these preference shares on one or more stock exchanges in Pakistan subject to all regulatory approvals. The listing of preference shares will create a liquid market for this security and enable the investors to buy and sell preference shares from the market.

The following resolutions are proposed to be passed:

Resolved That:

1. Subject to the requisite regulatory approvals and permissions, consent of the general meeting be and is hereby accorded for listing on one or more stock exchanges of 150,000,000 non-voting, perpetual, irredeemable, non cumulative and convertible preference shares issued by JS Bank Limited (the "Bank") pursuant to special resolution dated November 23, 2013 and approvals of Securities and Exchange Commission of Pakistan vide letter No. EMD/CI/102/2010-871 dated December 19, 2013 and the State Bank of Pakistan vide letter No. BPRD/BA&CP/649/19755/2013 dated December 30, 2013.
2. The Bank be and is hereby authorized and empowered to take all such actions including but not limited to the filing of applications (through the Authorized Person (as defined below) for seeking permission from the SECP, the State Bank, stock exchange(s) and such other approvals as may be required for listing of the preference shares issued by the Bank and all matters relating thereto.
3. Any two of the President & CEO, Chief Operating Officer, Group Head Treasury, FI & IBG and Chief Financial Officer & Company Secretary of the Bank, be and are hereby jointly authorized ("Authorized Persons") to enter into and execute such documents as may be required in relation to the listing of Preference Shares and matters relating thereto.
4. The Authorized Persons, be and are hereby authorized, to take all steps necessary, ancillary and incidental for the listing of the preference shares including but not limited to obtaining all requisite approvals, engaging consultant for the purposes of the above; filing of all the requisite documents as may be required to be filed with the SECP, the State Bank, stock exchanges etc., executing all applications, notices, reports, letters and any other documents or instrument including any amendments or substitutions to any of the foregoing as may be required in respect of the listing of preference shares and all other matters incidental or ancillary thereto.
5. All acts, deeds, and actions taken by the Authorized Persons pursuant to the above resolution for and on behalf of and in the name of the Bank shall be binding acts, deeds and things done by the Company.

Directors Interest:

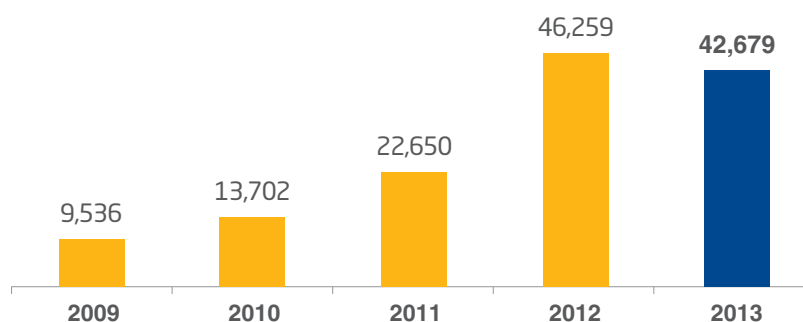
The Directors of the Company have no personal interest in the listing of preference shares whether directly or indirectly except to the extent of their shareholdings of preference shares by them.

FIVE YEAR ANALYSIS 2009 -2013

Rupees in million

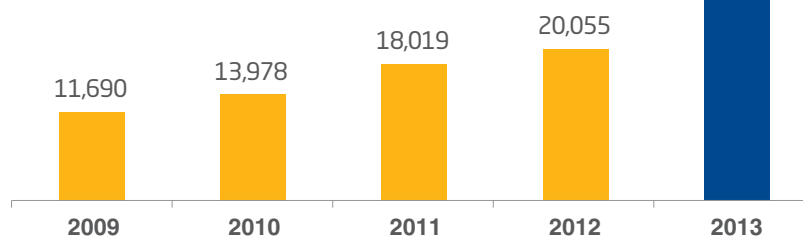
INVESTMENTS

CAGR - 52.71%



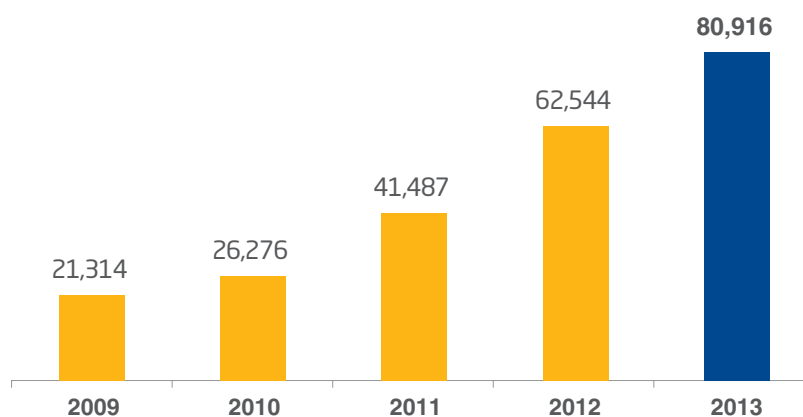
ADVANCES

CAGR - 28.38%



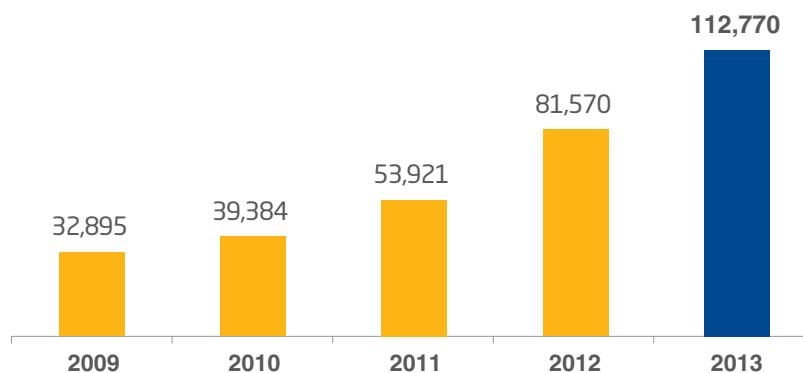
DEPOSITS

CAGR - 39.54%

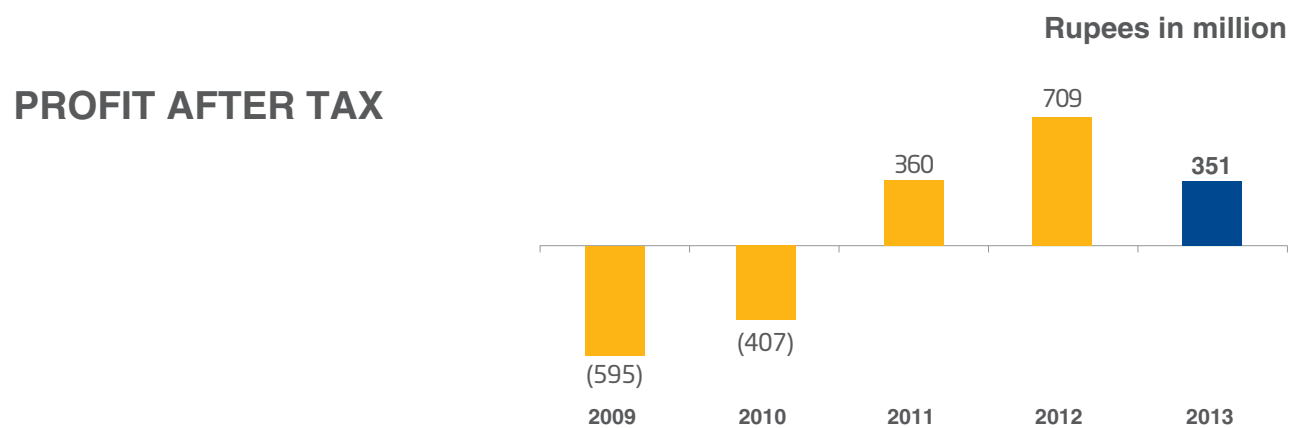


TOTAL ASSETS

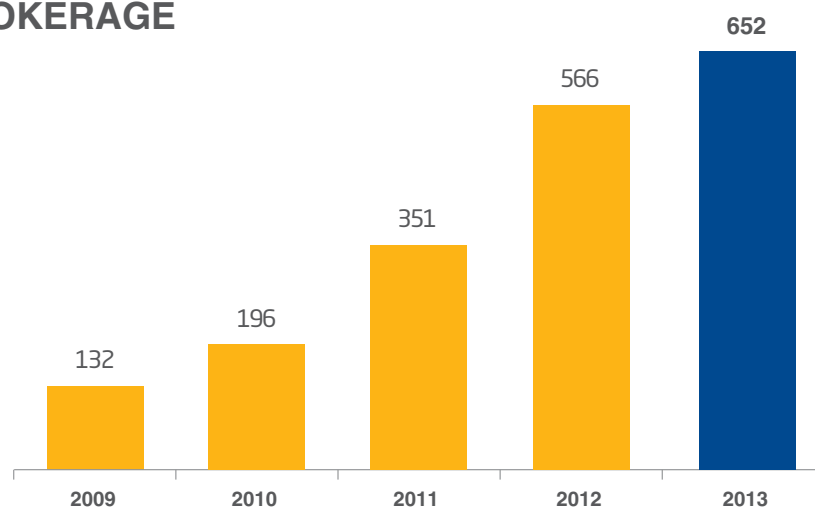
CAGR - 39.13%



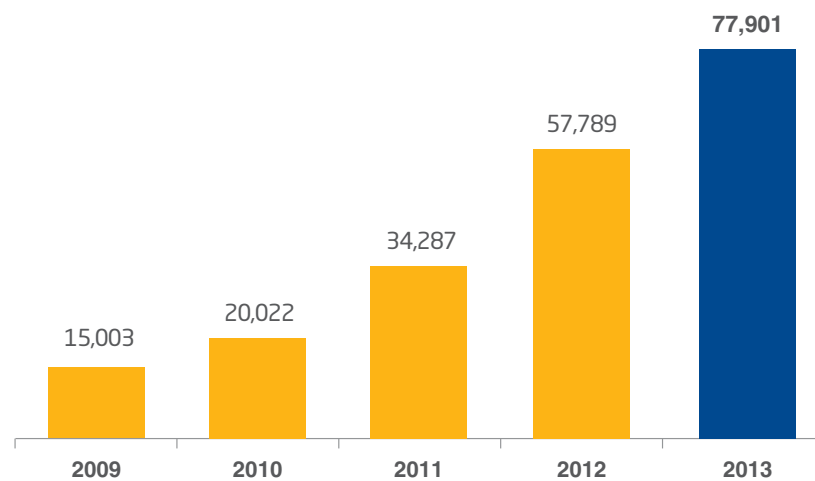
FIVE YEAR ANALYSIS 2009 -2013



FEE, COMMISSION & BROKERAGE

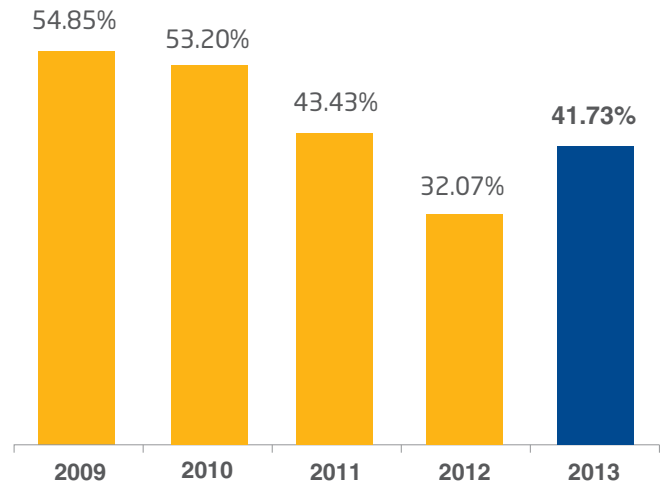


TRADE VOLUMES



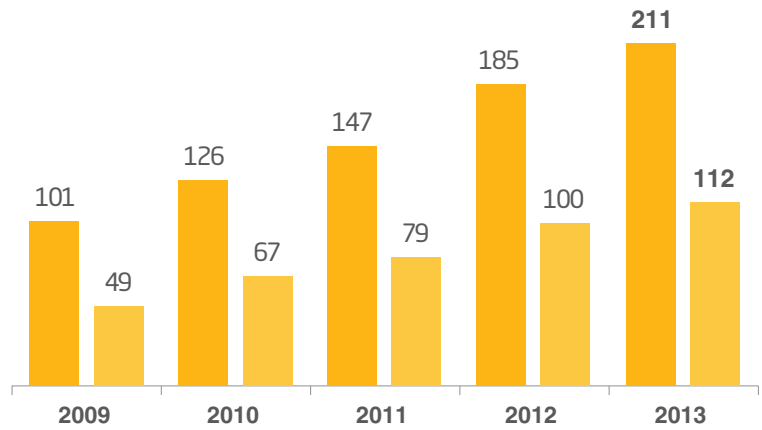
FIVE YEAR ANALYSIS 2009 -2013

ADVANCE DEPOSIT RATIO

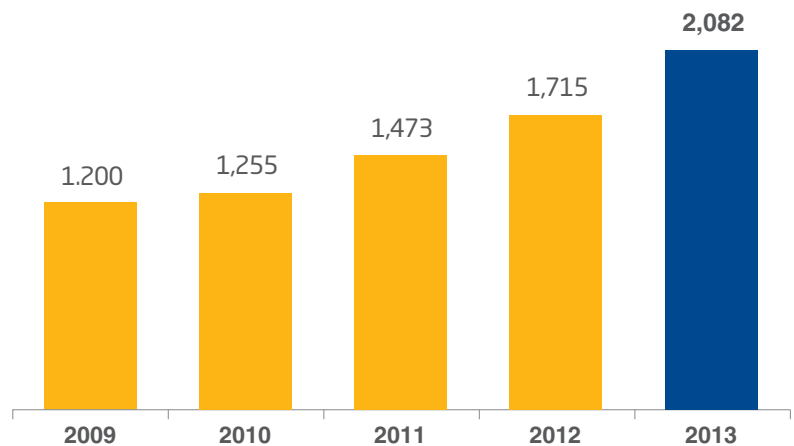


BRANCH NETWORK

- No. of Branches
- Number of Cities



STAFF STRENGTH





MAKE THE MOST OF YOUR GOLD

JS Bank Gold Finance offers customers the chance to convert their gold ornaments into working capital for business or investment needs, with term or revolving loan against gold ornaments.



FINANCING SO QUICK

JS Bank Fauri-Finance is the quickest and surest way to meet your personal financial needs while keeping your savings intact. Easily avail financing against National Saving Certificates and Pak Rupee/Foreign Currency Deposits.

Directors' Report

We are pleased to present the Eighth Annual Report of JS Bank Limited ("JSBL") along with the audited accounts and Auditors' report thereon for the year ended December 31, 2013.

Economic Review

2013 was a year of progressive change for Pakistan; the country saw a smooth democratic government transition. The government came up as a 'resolve and evolve' strategy and took some much-awaited decisions like:

- Paying off circular debt worth PKR 480 billion
- Entering into a 3-year loan program of USD 6.64 billion with the International Monetary Fund (IMF) which allows it to repay the earlier Standby Arrangement loan from the IMF

This new loan program targets:

- (1) strengthening foreign exchange (FX) reserves;
- (2) trimming the fiscal deficit by increasing the tax-to-GDP ratio and,
- (3) undertaking structural reforms including but not limited to fiscal and energy sector reforms as well as re structuring/privatization of Public Sector Entities (PSEs).

These efforts are expected to reap results. The forecasted GDP growth rate for FY14 is between 3% - 4% by SBP, on the backdrop of 3.67% recorded for the complete fiscal year 2012-13. However, impediments remain in the way of sustainable growth such as shortage of energy, public sector credit off-take and the law and order situation. Consequently, the fiscal account depicted a deficit of PKR 287 billion (1.1% of GDP) in first quarter of FY14 as compared to PKR 283 billion (1.2% of GDP) in the corresponding period last year. Moreover there is a risk that inflation may rise which caused a reversal in the State Bank of Pakistan (SBP) monetary policy stance and the Discount Rate was raised by 50 bps to 10% at the end of the year.

On the external front, ongoing repayments to the IMF (SDR 2.4 billion in 2013) and current account deficit of USD 1.9 billion in 5MFY14 were the main concerns. However, respite was provided to this deficit as remittances grew by 7% YoY during 5MFY14 to USD 6.4 billion from USD 5.9 billion during the same period the previous year. The depletion of FX Reserves (from USD 13.86 billion at the end of CY12 to ~USD 8.1 billion at the end of CY13) and Pak Rupee depreciation of ~8.5% during CY13 are also cause for concern.

There have also been some positive developments, including Generalized Scheme of Preferences Plus (GSP Plus) status and performance of Pakistan stock market being the 10th best stock market globally.

Banking Industry Review

The year 2013 was challenging for Pakistan's banking sector where spreads compression continued throughout 1H2013 due to monetary easing (50 bps Discount Rate cut in June 2013) coupled with hike in Minimum Savings Deposit Rate (raised by 1.0ppt to 6.0% with effect from April 01, 2013). In 2H2013, the State Bank of Pakistan (SBP) ended its monetary easing cycle and embarked on a monetary tightening cycle by increasing the Discount Rate by 50 bps in September 2013 (first rate hike since August 2011) followed by another 50 bps rate hike in November 2013. While this created an opportunity for spread enhancement, regulatory changes (on the Minimum Savings Deposit Rate) for the banking industry whereby SBP linked the Minimum Savings Deposit Rate for banks to the Repo Rate with effect from October 1, 2013 nullified the same. The Minimum Savings Deposit Rate has now been fixed 50 bps below the prevailing SBP Repo Rate (i.e. the floor of the Interest Rate Corridor, currently 250 bps below the Discount Rate).

Overall in 2013, banking sector aggregate Investments (mainly in Government Treasury Bills and Pakistan Investment Bonds), grew by 4.6%YoY to PKR 4.07 trillion. Advances meanwhile grew by 5.6%YoY in 2013 to reach the PKR 4.07 trillion mark. The Banking Sector more than emulated this growth on the deposit side, which grew by 12.7%YoY during the same period to PKR 7.5 trillion. Consequently, the banking sectors' ADR and IDR shrunk to 54% each compared to 58% each in December 2012. While IDR went down on account of net decline in government borrowing from banking sector, the reduction in ADR was on account of Banks' focus on investment in government securities. On the asset quality side, aggregate Non-Performing Loans ("NPLs") for Banks came down to PKR 604 billion in September 2013, marginally decreased from PKR 607 billion NPLs in December 2012. The net NPL ratio as of September 2013 stood at 3.79% vs. 4.55% in December 2012.

Directors' Report

Financial Performance

Your Bank continued along its growth trajectory as the Balance Sheet size grew by 38.25% to stand at PKR 112,770 million as of December 31, 2013. The Bank's deposit base increased to PKR 80,916 million during the year compared to PKR 62,544 million in 2012, increasing by 29.38%. Gross advances grew to PKR 35,164 million a rise of 67.24%, while investments decreased by 7.74% to PKR 42,679 million at end of the year. As a result the Bank's advances to deposits and investments to deposits ratio, stands at 42% and 53% respectively.

Your Bank posted a pre-tax profit of PKR 501.37 million during 2013 as compared to a pre-tax profit of PKR 979.54 million in the previous year, a decrease of 48.82%. The Profit after tax was PKR 351.28 million as compared to PKR 709.23 million in 2012, a decrease of 50.47%. Resultantly, the Earnings Per Share (EPS) of your Bank was PKR 0.33 for 2013 from an EPS of PKR 0.70 during 2012.

During the year, Net Mark-up/Interest Income of the Bank increased by 2.68% to stand at PKR 2,325 million - this was led by a growth both in the Bank's earning assets as well as the low cost deposits. However, the said increase was offset by a 7.12% YoY decrease in Non-Markup/Interest Income which was PKR 1,678 million as compared to Rs.1,806 million earned in 2012, primarily due to decrease in capital gains on trading fixed income securities. The negative impact on earnings was further augmented by an 19.06% rise in Operating Expenses which increased to PKR 3,038 million - primarily as a result of inflation and the opening of 26 new branches during the year. Despite this, certain positives were witnessed in 2013 that include an increase in earnings from Foreign Trade, Bancassurance, Home Remittance and higher dividend income.

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

(Rupees in '000)

	2013	2012	2011	2010	2009
Deposits	80,916,125	62,543,793	41,487,031	26,276,328	21,313,791
Total assets	112,769,972	81,569,995	53,920,569	39,383,647	32,894,920
Investments-net	42,679,316	46,259,398	22,649,824	13,701,699	9,535,555
Advances-net	33,762,507	20,054,921	18,018,778	13,978,113	11,689,653
Profit/ (loss) before tax	501,371	979,542	535,752	(622,550)	(1,448,793)
Profit/ (loss) after tax	351,283	709,233	359,691	(407,479)	(594,936)
No of branches	211	185	147	126	101
No. of Employees	2,082	1,715	1,473	1,255	1,200

Business Overview

Your Bank continues to maintain its steady growth and progressed with its branch expansion as it established 26 new branches during the year bringing the aggregate total to 211 branches spread over 112 cities. The Bank also launched new products and services in order to cater to emerging market needs and acquire a strong competitive edge. In 2013, your Bank launched its Credit Cards and Cash Management System both of which were well received by our customers. Our focus remained on consistently improving the level of service delivery at branch locations across Pakistan to ensure that JS Bank's customers receive a standard of service well above the competition. Your Bank is now well-poised to continue building on its strengths and expand both its offerings and outreach.

- Corporate & Retail Banking Group - (CRBG)

With a view towards sustainable growth and profitability, Corporate Banking and Retail Banking were merged into one Group during the year. The Bank now enters 2014 with a variety of products available to both institutional and retail clients. This allows your Bank to capitalize on cross-functional opportunities and utilize synergies between both businesses.

Directors' Report

Deposit Growth

During the course of 2013, CRBG stayed true to its vision of becoming a mid-sized, performance driven and market competitive bank with an extensive outreach, product base and network accessible to a wider customer audience across Pakistan.

The growth strategy is based on offering the right products to the right customers, expansion of our network and ADC services, enhancing our services and delivery, whilst enriching our customers' banking experience. This strategy has proved to be beneficial, as total customer accounts have increased by over 29.2% YoY to 223,936.

The Retail banking remained focused on core deposit mobilization, particularly targeting growth in zero / low cost deposit Current and Savings Accounts (CASA). Despite difficult economic conditions and strong competition, your Bank was able to close the year at a level of PKR 46.1 billion in CASA deposits.

In addition to deposit growth, the change in the deposit mix towards CASA helped reduce your Bank's cost of funds, which helped cope with the reduction in banking spreads due to several cuts in the SBP policy rate over the last 3 years.

Advances

On the assets side, CRBG grew its portfolio while building steady NFI business stream. CRBG also grew its advances business through our retail customer base, increasing the overall diversity of the portfolio. However, the growth was well within the concentration levels defined by the Bank's Risk Management Policy.

2013 also saw the launch of JS Bank's VISA Credit Cards. Backed by a state-of-the-art processing system, JS Bank's Credit Cards invite our customers to enjoy a world of privileges. Along with the above JS Bank also launched JS Gold Finance, a credit facility against gold ornaments for business needs.

Alternative Delivery Channels

CRBG was able to further expand its Alternative Delivery Channels (ADC) business. During 2013, JS Bank grew its ATM network to 185 and launched Mobile Banking. In order to strengthen Payment Solutions, Visa Prepaid Cards were launched which can be loaded and re-loaded at branch counters to meet our customers' payment needs in a swift and convenient manner. JS Bank also became compliant with Visa Money Transfer facilities whereby our valued Visa Card customers will be able to receive money from any Visa Card across the world. During the year the Bank also introduced the Visa Debit Platinum catering to the needs of its High Net-worth clients.

CRBG also initiated the process of Cash Management services for our institutional customers, offering a host of corporate payments and collections solutions backed by a state-of-the-art Cash Management Portal. Cash Management services will go a long way in developing deep-rooted and sustainable partnerships with our corporate and commercial customers in the years to come.

Bancassurance

The year 2013 saw a substantial increase in the Bancassurance business, with JS Bank continuing to build on its momentum and maintaining its position amongst the major players of the industry. The Bancassurance business was driven as always by a balanced regime of aggressive targets, assertive sales promotions as well as increased management focus, and has reached an all time high in terms of collected premium of PKR 162.5 million which is 12.5% greater than the collected premium in 2012.

Home Remittances & PRI

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

Directors' Report

Trade Finance

Another area of opportunity that continued to grow during the year was Trade Finance, which fulfilled the requirements of our customers at our trade-centric and mercantile-centric branches across Pakistan. Trade volumes stood at PKR 77 billion, an increase of 33.1% over 2012.

Marketing & Sales Promotions

To ensure all core and ancillary business lines continue their progress, comprehensive sales promotion programs were deployed across CRBG which incentivized high performers for leading business growth across all business lines. On the branding and communications front, our focus remained on sales promotions and localized marketing opportunities utilizing our growing network.

Service Quality

As always, our vision to remain a bank with a Service Quality focus continued unabated. Constant efforts were made on improving the level of service delivery at branch locations across Pakistan. The Bank's dedicated Service Quality team managed to enforce their robust monitoring and control mechanisms that have ensured that service delivery at branches remain a cut above competing banks across Pakistan.

- Treasury Group

Your Bank continued to be a leading Primary Dealer for Treasury Bills and Pakistan Investment Bonds and also continued to serve a large customer base including many large pension funds and insurance companies for secondary market purchase/sale of fixed income securities.

The Bank continued to focus on its trade related clients and posted a growth of 25% in terms of foreign exchange trade volumes. In addition, to serve our existing and potential new clients innovatively, the Bank also executed its first Foreign Exchange Derivatives Product (Cross Currency Swap) transaction. We hope this will pave the way for your Bank to obtain an Authorized Derivative Dealers license in the future.

Investment Banking Group - (IBG)

Maintaining its impeccable track record of innovation, JS Bank's IBG achieved financial close of JS Bank's first mandate to arrange an offshore financing facility for NRSP Microfinance Bank Limited. This is also the largest offshore financing facility that has been arranged for any Microfinance Bank in Pakistan. This transaction has not only helped strengthen the foreign lenders' perspective towards the economy but has also opened doors for future offshore transactions for the sector.

Furthermore, continuing focus on fee based income, IBG successfully advised and arranged cumulative transactions of over PKR 16 billion for various sectors including microfinance, steel, power, media & sugar.

Financial Institutions Group

JS Bank has an extensive and an increasing network of correspondent banking arrangements throughout the world. JS Bank's correspondent relationships cover 85 countries with established credit lines from various banks. The extensive network allows the Bank to provide its customers with a vast range of trade finance services, suited for the needs of both importers and exporters.

- Risk Management

As the Bank embarks on its plan for business growth and diversification amidst increasing competitiveness in the banking industry; the role of effective risk management has become vital for the Bank's success. To this end, your Bank has a comprehensive Risk Management Framework comprising of an effective risk management structure and policy framework.

The purpose of this structure is to assist the Bank's Board of Directors and its senior management in formalising and improving the risk management environment and in implementing a Bank-wide Risk Management culture, recognizing the diversity and complexity of its operations and evaluating exposure to various kinds of risks mainly credit, market, liquidity and operational risk.

Directors' Report

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

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

- Operations

The Group continued to focus on operational quality, via provision of seamless services to its customers through branches and other centralized departments without compromising on controls. Departmental structures were realigned and capacity building initiatives were undertaken in order to cater to the growing needs of the Bank's expanding business. The Group provided strong support to the business unit in launching new products, services and opening of new branches.

- Information Technology

Continuing with its resolve to develop the best solutions and products for customers, JS Bank in 2013 launched a comprehensive range of IT services including Corporate Banking & Cash Management solution, VISA Credit Cards on a secure EMV (chip cards) platform, an advanced Mobile banking application, VISA Money Transfer and VISA pre-paid cards. The Bank also upgraded its remittance system for PRI scheme offering Inter Bank Funds Transfer facilities to exchange companies worldwide. The banking systems are also compliant with IBAN regulations. To ensure timely training & awareness of new regulations in the banking industry and changes in policies, the Bank introduced a state of the art online learning & training modules for the employees. The Bank has also upped the compliance by introducing various checks for tracking transactions & accounts as per guidelines of local & global watch lists. The new initiatives for 2014 will enable the Bank to meet with advanced banking requirements for next 5 years.

Issuance of Preference Shares

To meet the shortfall in the Minimum Capital Requirement (MCR) of the State Bank of Pakistan (SBP), the Bank subsequent to the year-end has issued 150 million convertible, irredeemable, perpetual, non-cumulative, non-voting preference shares of PKR 10 each amounting to PKR 1.5 billion.

Equity

Core Equity of the Bank increased to PKR 9,139 million as at December 31, 2013, a growth of 4.02% over the previous year, due to improved profitability.

Capital Adequacy

As of December 31, 2013, the Bank's Capital Adequacy Ratio (CAR) stood at 12%, against a minimum CAR of 10% prescribed by SBP. The Bank has managed to maintain its Capital Adequacy Ratio (CAR), by carefully monitoring and managing the risk profile of its increasing Assets portfolio and at the same time increasing its Paid-up Capital and overall equity. This is evident from the fact that during the year under review, your Bank's risk weighted assets have increased by only 34% as compared to the Balance Sheet size which grew by 38%.

Statement on Internal Controls

Achievement of goals and objectives is the focus of all activities in an organization. A system of strong and effective controls is critical in meeting the long-term targets, maintaining reliable managerial and financial reporting and simultaneously complying with laws and regulations. Cognizant of the fact that internal control is a continually operating process, the Board of Directors is actively engaged in approving internal control strategies and policies, setting acceptable level of risk to be taken, while ensuring that such an organizational structure exists whereby senior management takes necessary steps to identify, monitor and control the risks. These policies, procedures and structure are periodically reviewed and suitably updated by the Board in the light of economic and other related developments in order to mitigate the risk of unexpected losses and reputational damage.

Directors' Report

The senior management of the Bank, in order to implement the strategies approved by the Board of Directors, has established systems, procedures and internal control evaluation charts across all areas of the Bank in line with the policy guidelines provided by the Board. Clear definition of responsibilities through effective delegation and segregation of duties is ensured in the organizational structure. Operational procedures are continually monitored and updated and any gaps identified in controls are appropriately and expeditiously plugged to ensure a competitive edge in customer service. The management, together with the watchful oversight of the Board of Directors, has been promoting high ethical and integrity standards. The Bank's Internal Audit function, supervised by experienced people, continues to monitor compliance with these policies and procedures and regularly keeps the Board updated on its findings through the Audit Committee.

An overall review and updating / consolidation of systems and procedures with the objective of further improving internal controls has been a major objective of the management during the year so as to be fully compliant with relevant guidelines of the State Bank of Pakistan. Accordingly, the Bank has completed a detailed documentation of existing process and relevant controls. The management is pleased to place on record that timelines of SBP roadmap pertaining to ICFR (Internal Controls on Financial Reporting) have been successfully completed within schedule and SBP requirements for submission of External Auditors Long Form Report have been duly complied with. A Steering Committee comprising of senior management has actively overseen the process.

The system on Internal Control is designed to manage and achieve the Bank's business strategies and policies. It can provide reasonable, rather than absolute, assurance against material misstatement and loss. However, every effort is made that all personnel within the Bank understand the importance of internal control and are actively engaged in the process.

The management is confident that in view of the above, the present internal control environment is effective and fully geared for smoothly achieving both short-term and long-term organizational goals.

Corporate and Financial Reporting Framework

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

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

Holding Company

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

Subsidiary Companies

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

Directors' Report

Attendance of Directors in the Board meetings

Six meetings of the Board of Directors were held during the Year 2013. The attendance of directors at Board Meetings was as follows:

Name of Director	Eligible to attend	Meetings attended
Mr. Jahangir Siddiqui, Chairman	6	6
Mr. Mazharul Haq Siddiqui	6	5
Mr. Maqbool A. Soomro	1	-
Mr. Ashraf Nawabi	6	3
Mr. Rafique R. Bhimjee	4	4
Mr. Shahab A. Khawaja	6	5
Mr. Adil Matcheswala	6	4
Mr. Kalim-ur-Rahman	3	3
Mr. G.M Sikandar	-	-
Mr. Kalim-ur-Rahman (as President & CEO)	3	3
Mr. Khalid Imran, President & CEO	3	3

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

Name of Director	Audit Committee		Risk Committee		HR Committee	
	Eigible to attend	Meetings attended	Eigible to attend	Meetings attended	Eigible to attend	Meetings attended
Mr. Jahangir Siddiqui	4	4	4	4	3	3
Mr. Mazharul Haq Siddiqui	-	-	-	-	3	3
Mr. Ashraf Nawabi	-	-	4	-	-	-
Mr. Maqbool A. Soomro	1	-	1	1	-	-
Mr. Rafique R. Bhimjee	3	3	-	-	-	-
Mr. Shahab A. Khawaja	3	2	-	-	-	-
Mr. Adil Matcheswala	3	2	3	1	-	-
Mr. Kalim-ur-Rahman	-	-	2	2	3	3
Mr. G.M Sikandar	-	-	-	-	-	-
Mr. Khalid Imran, President & CEO	-	-	2	2	3	3

Pattern of Shareholding

The pattern of shareholding at the close of December 31, 2013 as required u/s 236 of the Companies Ordinance, 1984 is given on page number 228.

Credit Rating

The Pakistan Credit Rating Agency (PACRA) has maintained the long-term entity rating of JS Bank at "A+" (Single A Plus) and the short term rating at "A1" (A One). The ratings reflect the Bank's sound financial profile emanating from improving profitability, strong liquidity and sound capital adequacy.

Directors' Report

Employee Benefits Scheme

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

- The contribution made toward the Fund during the year 2013 PKR 49.6 million (2012: PKR 41.8 million). The un-audited balance as at December 31, 2013 of the Fund was PKR 337 million (2012: PKR 250 million).
- The contribution to be made in the Scheme PKR 14.56 million for 2013 (2012: PKR 21.56 million). The un-audited balance of the plan assets of the Scheme as at December 31, 2013 was PKR 115 million (2012: PKR 80).

Auditors

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

Directors' Training Program

The Directors of the Bank are fully aware of their duties and responsibilities and strive to discharge their fiduciary responsibilities in the best possible manner in compliance with all applicable corporate laws and regulations. The Bank had arranged an orientation course for its directors to acquaint them with the Code of Corporate Governance, applicable laws, their duties and responsibilities to enable them to effectively manage the affairs of the Bank.

Events after the Date of Statement of Financial Position

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

However, subsequent to the year end on February 19, 2014 the Bank has issued 150 million un-listed, convertible, irredeemable, perpetual, non-cumulative, non-voting preference shares of PKR 10 each which qualified for Additional Tier I Capital under Basel III requirement. As a result of this transaction the paid-up capital of the Bank has increased by PKR 1.5 billion.

Acknowledgements

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

For and on behalf of the Board,

Jahangir Siddiqui
Chairman

February 25, 2014

Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 35 of listing regulations of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

Category	Names
Non-Executive Directors	Mr. Jahangir Siddiqui Mr. Mazharul Haq Siddiqui Mr. Kalim-ur-Rahman Mr. Adil Matcheswala
Independent Directors	Mr. Ashraf Nawabi Mr. G.M Sikander Mr. Shahab Anwer Khawaja

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

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurring on the Board on August 29, 2013 was filled up by the directors on the same day.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non executive directors, have been taken by the board/shareholders.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the Board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board has been provided with the revised Code along with briefings on various stages in order for them to properly manage the affairs of the Company as representatives of members of the Bank. Further, in accordance with the criteria specified in clause (xi) of the Code, four directors of the Bank are exempt from the requirement of Directors' Training Program; one director during the year has completed the Director's Certification Course from PICG. All the directors on the Board are fully conversant with their duties and responsibilities as directors of the Bank.
10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
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.

Statement of Compliance with the Code of Corporate Governance

12. The Financial Statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises of 3 non-executive directors and the Chairman of the committee is an independent director.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed a Human Resource and Remunerations Committee. It comprises 4 members; of whom 3 are non-executive directors and the Chairman of the committee is a non-executive director.
18. The Board has set up an effective internal audit function comprises of suitably qualified and experienced persons who are conversant with the policies and procedures of the Company.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and the Karachi Stock Exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through Karachi Stock Exchange.
23. We confirm that all other material principles enshrined in the CCG have been complied with.

Khalid Imran
President &
Chief Executive Officer

Dated: February 25, 2014



INTERNET BANKING

JS Bank Internet Banking gives you an efficient, secure and convenient way to manage your account with ease, whether you are at the office working or at home relaxing.



SAVING ENERGY FOR YOU

Pioneering a **Go Green Initiative** JS Bank has converted multiple branches nationwide to Solar Power to support Pakistan through the ongoing energy crisis.

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

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

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code as applicable to the Bank for the year ended December 31 ,2013.

M. Yousuf Adil Saleem

Chartered Accountants

Engagement Partner:
Nadeem Yousuf Adil

Date: February 25, 2014
Place: Karachi

Money





Unconsolidated Financial Statements

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed unconsolidated statement of financial position of **JS Bank Limited** (the Bank) as at December 31, 2013, and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'the financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for 3 branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of accounts have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- (b) in our opinion:
 - (i) the unconsolidated statement of financial position and unconsolidated profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change as stated in note 6.20 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 unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at the December 31, 2013, and its true balance of profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

M. Yousuf Adil Saleem

Chartered accountants

Engagement Partner:
Nadeem Yousuf Adil

Date: February 25, 2014

Place: Karachi

Unconsolidated Statement of Financial Position

as at December 31, 2013

	Note	2013 ----- (Rupees in '000) -----	2012 *(Restated)
ASSETS			
Cash and balances with treasury banks	7	7,773,892	5,026,637
Balances with other banks	8	514,982	1,179,425
Lendings to financial institutions	9	21,585,799	3,940,958
Investments - net	10	42,679,316	46,259,398
Advances - net	11	33,762,507	20,054,921
Operating fixed assets	12	3,627,512	3,165,117
Deferred tax assets - net	13	883,605	699,272
Other assets	14	1,942,359	1,244,267
		112,769,972	81,569,995
LIABILITIES			
Bills payable	15	1,414,793	713,747
Borrowings	16	20,150,846	8,222,273
Deposits and other accounts	17	80,916,125	62,543,793
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	18	1,354,315	1,122,763
		103,836,079	72,602,576
NET ASSETS		8,933,893	8,967,419
REPRESENTED BY			
Share capital	19	10,724,643	10,724,643
Discount on issue of shares		(2,105,401)	(2,105,401)
Reserves		301,699	231,442
Accumulated profits / (losses)		218,098	(64,596)
		9,139,039	8,786,088
(Deficit) / surplus on revaluation of assets - net of tax	20	(205,146)	181,331
		8,933,893	8,967,419
CONTINGENCIES AND COMMITMENTS	21		

* Change in accounting policy as disclosed in note 6.20

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

Jahangir Siddiqui

Chairman

Khalid Imran

President & Chief Executive Officer

Mazharul Haq Siddiqui

Director

Shahab Anwar Khawaja

Director

Unconsolidated Profit and Loss Account

for the year ended December 31, 2013

		2013	2012 *(Restated)
	Note	----- (Rupees in '000) -----	
Mark-up / return / interest earned	23	6,849,941	6,022,859
Mark-up / return / interest expensed	24	4,524,682	3,758,219
Net Mark-up / Interest income		<u>2,325,259</u>	<u>2,264,640</u>
Provision against non-performing loans and advances	11.4	(429,932)	(457,504)
Provision for diminution in value of investments	10.3	(23,156)	(52,424)
Bad debts written off directly		-	-
		<u>(453,088)</u>	<u>(509,928)</u>
Net mark-up / interest income after provisions		1,872,171	1,754,712
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income	25	651,575	565,956
Dividend income		377,623	163,374
Income from dealing in foreign currencies		269,309	205,326
Gain on sale of securities - net	26	222,374	825,413
Unrealised gain on revaluation of investments classified as held-for-trading	10.4	117,079	926
Other income	27	39,879	45,502
Total non mark-up / interest income		<u>1,677,839</u>	<u>1,806,497</u>
		3,550,010	3,561,209
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	28	3,038,068	2,551,788
Other provisions / write offs	29	10,027	32,509
Fixed assets written off		-	-
Other charges	30	544	(2,630)
Total non-mark-up / interest expenses		<u>3,048,639</u>	<u>2,581,667</u>
		501,371	979,542
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		501,371	979,542
Taxation - Current	31.1	(126,317)	(50,536)
- Prior years	31.2	-	50,661
- Deferred	13.1	(23,771)	(270,434)
	31.3	<u>(150,088)</u>	<u>(270,309)</u>
PROFIT AFTER TAXATION		<u>351,283</u>	<u>709,233</u>
----- (Rupee) -----			
Earnings per share - basic and diluted	32	<u>0.33</u>	<u>0.70</u>

* Change in accounting policy as disclosed in note 6.20

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

Jahangir Siddiqui

Chairman

Khalid Imran

President & Chief Executive Officer

Mazharul Haq Siddiqui

Director

Shahab Anwar Khawaja

Director

Unconsolidated Statement of Comprehensive Income

for the year ended December 31, 2013

		2013	2012
	Note	*(Restated)	
		----- (Rupees in '000) -----	
Profit after tax for the year		351,283	709,233
Other comprehensive income			
Items that will be reclassified to profit and loss account in subsequent period		-	-
Items that will not be reclassified to profit and loss account in subsequent period			
Actuarial gain / (loss) on defined benefit plan -net of tax	35.5	1,668	(3,393)
Total comprehensive income for the year		352,951	705,840

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

* Change in accounting policy as disclosed in note 6.20

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

Jahangir Siddiqui

Chairman

Khalid Imran

President & Chief Executive Officer

Mazharul Haq Siddiqui

Director

Shahab Anwar Khawaja

Director

Unconsolidated Statement of Changes in Equity

for the year ended December 31, 2013

	Issued, subscribed and paid-up share capital	Discount on issue of shares	Statutory reserve (Rupees in '000)	Accumulated (losses) / profits	Total
Balance as at January 01, 2012	10,002,930	(1,944,880)	89,978	(642,918)	7,505,110
Effects of change in accounting policy (note 6.20)	-	-	(383)	14,329	13,946
Balance as at January 01, 2012 as restated	10,002,930	(1,944,880)	89,595	(628,589)	7,519,056
Total comprehensive income for the year					
Profit after taxation for the year ended December 31, 2012 - as restated	-	-	-	709,233	709,233
Other comprehensive income - as restated	-	-	-	(3,393)	(3,393)
Total comprehensive income for the year ended December 31, 2012 as restated	-	-	-	705,840	705,840
Transaction with owners recorded directly in equity					
Issue of shares during the year	721,713	-	-	-	721,713
Discount on issue of shares	-	(160,521)	-	-	(160,521)
	721,713	(160,521)	-	-	561,192
Transfers					
Transfer to statutory reserve as restated	-	-	141,847	(141,847)	-
Balance as at December 31, 2012 as restated	10,724,643	(2,105,401)	231,442	(64,596)	8,786,088
Total comprehensive income for the year					
Profit after taxation for the year ended December 31, 2013	-	-	-	351,283	351,283
Other comprehensive income	-	-	-	1,668	1,668
Total comprehensive income for the year ended December 31, 2013	-	-	-	352,951	352,951
Transfers					
Transfer to statutory reserve	-	-	70,257	(70,257)	-
Balance as at December 31, 2013	10,724,643	(2,105,401)	301,699	218,098	9,139,039

* Change in accounting policy as disclosed in note 6.20

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

Jahangir Siddiqui

Chairman

Khalid Imran

President & Chief Executive Officer

Mazharul Haq Siddiqui

Director

Shahab Anwar Khawaja

Director

Unconsolidated Cash Flow Statement

for the year ended December 31, 2013

	Note	2013 ----- (Rupees in '000) -----	2012 *(Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		501,371	979,542
Less: Dividend income		(377,623)	(163,374)
		123,748	816,168
Adjustments:			
Depreciation	12.2	268,460	223,030
Amortisation of intangible assets	12.3	21,122	18,910
Charge for defined benefit plan	35.5	14,566	21,565
Unrealised gain on revaluation of investments classified as held-for-trading	10.4	(117,079)	(926)
Provision against non-performing advances -net	11.4	429,932	457,504
Provision against diminution in value of investments -net	10.3	23,156	52,424
Provision for workers' welfare fund		10,027	32,509
Gain on sale of fixed assets		(39,879)	(45,502)
		610,305	759,514
		734,053	1,575,682
(Increase) / decrease in operating assets			
Lendings to financial institutions		(17,644,841)	132,145
Held for trading securities		(20,630,015)	3,959,877
Advances		(14,137,518)	(2,493,647)
Other assets (excluding advance taxation)		(763,274)	(175,918)
		(53,175,648)	1,422,457
Increase / (decrease) in operating liabilities			
Bills payable		701,046	(533,247)
Borrowings		11,973,139	5,230,629
Deposits		18,372,332	21,056,762
Other liabilities		195,205	421,733
		31,241,722	26,175,877
		(21,933,926)	27,598,334
Gratuity paid		(22,967)	(75,000)
Income tax paid		(24,746)	(43,343)
Net cash (used in) / flow from operating activities		(21,247,586)	29,055,673
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investment in available-for-sale securities		23,709,439	(26,737,586)
Dividend received		377,623	163,374
Payments for purchase of operating fixed assets		(766,866)	(409,271)
Proceeds on sale property and equipment disposed-off		54,768	69,155
Net cash flow from / (used in) investing activities		23,374,964	(26,914,328)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of share capital		-	-
Net cash flows from financing activities		-	-
Increase in cash and cash equivalents		2,127,378	2,141,345
Cash and cash equivalents at beginning of the year		6,157,353	4,016,008
Cash and cash equivalents at end of the year	33	8,284,731	6,157,353

* Change in accounting policy as disclosed in note 6.20

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

Jahangir Siddiqui

Chairman

Khalid Imran

President & Chief Executive Officer

Mazharul Haq Siddiqui

Director

Shahab Anwar Khawaja

Director

Notes to the Unconsolidated Financial Statements for the year ended December 31, 2013

1. STATUS AND NATURE OF BUSINESS

1.1 JS Bank Limited (the Bank), incorporated in Pakistan, is a scheduled bank, engaged in commercial banking and related services. The Bank's ordinary shares are listed on Karachi Stock Exchange in Pakistan. The Bank is a subsidiary of Jahangir Siddiqui & Co. Ltd. (JSCL). The registered office of the Bank is situated at Shaheen Commercial Complex, Dr. Ziauddin Ahmed Road, Karachi. The Bank operates with 211 (2012: 185) branches / sub-branches in Pakistan. The Bank is rated at "A+" (Single A Plus) for long term and "A1" (A One) for short term by Pakistan Credit Rating Agency (PACRA).

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

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

1.3 The State Bank of Pakistan (SBP) through its BSD Circular no. 7 dated April 15, 2009 prescribed that the minimum paid up capital (net of losses) for Banks / Development Finance Institutions (DFIs) needed to be raised to Rs.10 billion by the year ending December 31, 2013. The raise was to be achieved in a phased manner requiring Rs.10 billion paid-up capital (free of losses) by the end of the financial year 2013. The paid-up capital (free of losses) of the Bank as at December 31, 2013 stood at Rs. 8.619 billion. To meet the shortfall, the Bank, subsequent to the year end on February 19, 2014, has issued 150 million un-listed, convertible, irredeemable, perpetual, non-cumulative, non-voting preference shares of Rs. 10 each which qualified for Additional Tier I Capital under Basel III requirement to meet the shortfall in the Minimum Capital Requirement (MCR). As a result of this transaction, the paid up capital of the Bank has increased by Rs. 1.5 billion.

In the meantime, the SBP granted extension to the Bank from complying with the requirements of MCR for December 31, 2013 till February 28, 2014.

2. BASIS OF PRESENTATION

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

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

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

3. BASIS OF MEASUREMENT

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

4. STATEMENT OF COMPLIANCE

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

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

4.3 New accounting standards / amendments and IFRS interpretations that are effective for the year ended December 31, 2013.

The following standards, amendments and interpretations are effective for the year ended December 31, 2013. These standards, interpretations and the amendments are either not relevant to the Bank's operations or are not expected to have significant impact on the Bank's financial statements other than certain additional disclosures.

Standards/Amendments/Interpretations	Effective from accounting period beginning on or after
Amendments to IAS 1 - Presentation of Financial Statements - Clarification of Requirements for Comparative information	January 1, 2013
Amendments to IAS 16 - Property, Plant and Equipment - Classification of servicing equipment	January 1, 2013
Amendments to IAS 32 - Financial Instruments: Presentation - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction	January 1, 2013
Amendments to IAS 34 - Interim Financial Reporting - Interim reporting of segment information for total assets and total liabilities	January 1, 2013
Amendments to IFRS 7 - Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities	January 1, 2013
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	January 1, 2013
The impact of adoption of IAS-19 'Employee Benefits' (Revised 2011) has been disclosed in the note 6.20	

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

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

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

Standards/amendments/interpretations	Effective from accounting period beginning on or after
Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities	January 1, 2014
IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets	January 1, 2014
IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting	January 1, 2014
IFRIC 21 - Levies	January 1, 2014

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

- IFRS 1 - First Time Adoption of International Financial Reporting Standards
- IFRS 9 - Financial Instruments
- IFRS 10 - Consolidated Financial Statements
- IFRS 11 - Joint Arrangements
- IFRS 12 - Disclosure of Interests in Other Entities
- IFRS 13 - Fair Value Measurement
- IAS 27 (Revised 2011) - Separate Financial Statements due to non-adoption of IFRS 10 and IFRS 11
- IAS 28 (Revised 2011) - Investments in Associates and Joint Ventures due to non-adoption of IFRS 10 and IFRS 11

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 the intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days.
- In classifying investments as "held-to-maturity" the Bank follows the guidance provided in SBP circulars on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Bank evaluates its intention and ability to hold such investments to maturity.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

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

iii) **Valuation and impairment of available for sale equity investments**

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

iv) **Income taxes**

In making the estimates for income taxes currently payable by the Bank, the management 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) **Property and equipment, depreciation and amortisation**

In making estimates of the depreciation / amortisation method, the management uses a method which reflects the pattern in which economic benefits are expected to be consumed by the Bank. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the 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 details assumptions underlying impairment testing of goodwill are given in note 12.3.3 to these unconsolidated financial statements.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6.1 Cash and cash equivalents

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

6.2 Lendings to / borrowings from financial institutions

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

(a) Sale under repurchase obligation

Securities sold subject to a re-purchase agreement (repo) are retained in the financial statements as investments and liability to counter party 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 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 Trade date accounting

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

6.4 Investments

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

(a) Held-for-trading

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

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

(b) Held to maturity

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

(c) Available-for-sale

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

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

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

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

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

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

6.5 Financial instruments

6.5.1 Financial assets and financial liabilities

Financial assets and liabilities are recognized at the time when the Bank becomes party to the contractual provision of the instrument. Financial assets are de-recognized when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognized when obligation specific in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liability is recognized in the profit and loss account 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.

6.5.2 Derivative financial instruments

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

6.6 Off-setting of financial assets and financial liabilities

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

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

6.7 Advances (including net investment in finance lease)

6.7.1 Loan and advances

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

6.7.2 Finance lease receivables

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

6.8 Operating fixed assets and depreciation

Property and equipment

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

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

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

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

Intangible assets

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

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

Capital work-in-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 Unconsolidated Financial Statements

for the year ended December 31, 2013

6.9 Impairment

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

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

6.10 Taxation

Current

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

Deferred

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

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

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

6.11 Provisions

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

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

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

6.12 Staff retirement benefits

Defined contribution plan

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

Defined benefit plan as revised

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, 2013, 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.

The Bank has adopted the revised International Accounting Standard 19 (IAS -19) 'Employee Benefits' during the year and changes have been fully explained in note 6.20 below.

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.

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for the year ended December 31, 2013

6.15 Foreign currencies:

Functional and presentation currency

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

Foreign currency transactions

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

Translation gains and losses

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

Commitments

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

6.16 Goodwill

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

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

6.17 Segment reporting

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

6.17.1 Business segments

Corporate finance

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

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

Trading and sales

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

Retail banking

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

Commercial banking

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

Payment and settlement

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

6.17.2 Geographical segment

The Bank has 211 (2012: 185) branches / sub-branches and operates only in one geographic region which is Pakistan.

6.18 Assets acquired in satisfaction of claims

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

6.19 Fiduciary assets

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

6.20 Effects of change in accounting policy - Staff retirement benefits (Defined benefit plan)

In the current year, the company has adopted IAS 19 Employees Benefits (as revised in 2011) and the related consequential amendments for the first time.

The International Accounting Standard -19 (IAS 19) 'Employee Benefits', as revised in 2011, changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments requires immediate recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminates the 'corridor approach' permitted under the previous version of IAS 19 and accelerates the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net gratuity asset or liability recognised in the balance sheet to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or assets. These changes have had an impact on the amounts recognised in the profit and loss and other comprehensive income in prior years. In addition, IAS 19 (as revised in 2011) introduce certain changes in the presentation of the defined benefit cost including more extensive disclosures.

Specific transitional provisions are applicable to first-time application of IAS 19 (as revised in 2011). The Bank has applied the relevant transitional provisions and restated the comparatives on the retrospective basis in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The Bank has not presented third year balance sheet due to above changes as the impact on third year is immaterial. The Effect of retrospective application of change in accounting policy is as follows:

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

6.20.1 Effect of retrospective application of change in accounting policy are as follows:

		December 31, 2012 (Audited)		
		As previously reported	Effect of restatement	As Restated
		----- (Rupees in '000) -----		
a)	Effect on balance Sheet			
	Decrease in other liabilities - defined benefit obligation	1,134,373	(11,610)	1,122,763
	Increase in reserves	231,613	(172)	231,442
	Net decrease in accumulated losses	(76,377)	11,782	(64,596)
		Prior to January 01, 2012		
		As previously reported	Effect of restatement	As Restated
		----- (Rupees in '000) -----		
	Decrease in other liabilities - defined benefit obligation	765,019	(13,946)	751,073
	Decrease in reserves	89,978	(383)	89,595
	Net decrease in accumulated losses	(642,918)	14,329	(628,589)
		December 31, 2012 (Audited)		
		As previously reported	Effect of restatement	As Restated
		----- (Rupees in '000) -----		
b)	Effect on profit and loss account			
	- Decrease in administrative expenses (b)(i)	2,552,845	(1,057)	2,551,788
c)	Effect on other comprehensive income			
	- Decrease in Other comprehensive income (c)(i)	-	(3,393)	(3,393)
d)	Effect on cash flow statement			
	- Profit before tax	980,599	(1,057)	979,542
	- Charged for defined benefit plan	22,622	(1,057)	21,565
e)	Effect on current and deferred taxation			

In view of tax losses of the Bank, tax provision has been made for minimum taxation hence there is no impact on tax expense for the year.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

		2012	Prior to January 01, 2012
		----- (Rupees in '000) -----	
(b)(i)	Effect on profit and loss account - Administrative expenses		
	Net decrease in profit after tax due to amortisation of actuarial gains and losses recognised in other comprehensive income	(667)	(354)
	Decrease in profit after tax due to curtailment gain in other comprehensive income	(524)	(1,563)
	Decrease in profit after tax due to recognition of negative past service cost in other comprehensive income	(377)	-
	Increase in profit due to in expected return on plan assets	2,625	-
		1,057	(1,917)
(c)(i)	Effect on other comprehensive income		
	Net income recognised in other comprehensive income	-	1,917
	Actuarial (loss) /gains reclassified to other comprehensive income	(3,393)	12,814
	Non vested negative past service cost reclassified to other comprehensive income	-	1,132
		(3,393)	15,863
		2013	2012
		----- (Rupees in '000) -----	
	Note		
7. CASH AND BALANCES WITH TREASURY BANKS			
	In hand		
	Local currency	1,543,449	1,198,305
	Foreign currencies	353,663	203,140
		1,897,112	1,401,445
	With State Bank of Pakistan in		
	Local currency current account	3,740,253	2,324,310
	Foreign currency accounts:		
	- Cash reserve account - non remunerative	7.1 302,808	194,299
	- Special cash reserve account - remunerative	7.2 905,792	573,183
	- Local US Dollar instruments collection and settlement account - remunerative	7.3 87,342	29,162
		5,036,195	3,120,954
	With National Bank of Pakistan in		
	- Local currency current accounts	838,201	499,919
	National Prize Bonds	2,384	4,319
		7,773,892	5,026,637

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

- 7.1** This represents current account maintained with the SBP under the requirements of BSD Circular No. 18 dated June 30, 2008.
- 7.2** This represents deposit account maintained with SBP under the requirements of BSD Circular No. 18 dated June 30, 2008. Profit rates on this deposit account are fixed on a monthly basis by the SBP. It carries profit of 0% (2012: 0%) per annum.
- 7.3** This represents mandatory reserve maintained to facilitate collection and settlement and to settle foreign currency accounts under FE-25, as prescribed by the SBP. Profit rates on this account are fixed on a monthly basis by the SBP. It carries profit at 0% (2012: 0%) per annum.

8. BALANCES WITH OTHER BANKS

In Pakistan

On current accounts
On deposit accounts

Note	2013	2012
	----- (Rupees in '000) -----	
	165,979	115,008
8.1	61	60
	166,040	115,068
Outside Pakistan		
	281,043	456,654
8.2	67,899	607,703
	348,942	1,064,357
	514,982	1,179,425

- 8.1** These carry mark-up at the rate of 0% (2012: 0%) per annum.
- 8.2** This represents deposits accounts / term placements outside Pakistan, carrying mark-up rate at 0% (2012: 0%) per annum.

9. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings
Lendings to financial institutions
Repurchase agreement lendings

Note	2013	2012
	----- (Rupees in '000) -----	
9.1	1,700,000	600,000
9.2	3,529,419	1,136,983
9.3 & 9.4	16,356,380	2,203,975
	21,585,799	3,940,958

- 9.1** These represent unsecured call money lendings to financial institutions, carrying interest at the rates ranging between 9.65% and 10.50% (2012: 7.50% and 9.75%) per annum. These are due to mature between January 23, 2014 to May 13, 2014.
- 9.2** These represents secured lendings to various financial institutions, carrying interest at the rates ranging between 10.44% and 13.56% (2012: 1.50% and 14.03%) per annum. These are due to mature between February 22, 2014 to June 07, 2017.
- 9.3** These are secured short-term lendings to various financial institutions, carrying mark-up rates ranging from 9.40% to 9.90% (2012: 8.00% to 11.25%) These are due to mature between January 03, 2014 to January 27, 2014. These are collateralized by Market Treasury Bills and Pakistan Investment Bonds as shown in Note 9.6 below.
- 9.4** Included herein the sum of NIL (2012: 200 million) having market value of NIL (2012: Rs 204.675 million) due from a related party carrying a mark-up rate of NIL (2012: 8.30%).

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

9.5 Particulars of lendingsIn local currency
In foreign currency

2013	2012
----- (Rupees in '000) -----	
21,585,799	3,940,958
-	-
21,585,799	3,940,958

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

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

	2013			2012		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
----- (Rupees in '000) -----						
Market Treasury Bills	5,617,389	4,644,510	10,261,899	1,169,912	-	1,169,912
Pakistan Investment Bonds	6,192,420	-	6,192,420	1,071,812	-	1,071,812
	11,809,809	4,644,510	16,454,319	2,241,724	-	2,241,724

Notes to the Unconsolidated Financial Statements

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10. INVESTMENTS - net

	Note	2013			2012		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
							(Rupees in '000)
10.1 Investments by type							
Held-for-trading securities							
Market Treasury Bills	10.2.1 & 10.2.2	11,047,184	11,061,484	22,108,668	1,444,063	-	1,444,063
Pakistan Investment Bonds	10.2.1	367,638	-	367,638	505,542	-	505,542
Ordinary shares of listed companies	10.2.3	253,680	-	253,680	-	-	-
Ijara Sukuk	10.2.1	-	-	-	149,440	-	149,440
		11,668,502	11,061,484	22,729,986	2,099,045	-	2,099,045
Available-for-sale securities							
Market Treasury Bills	10.2.1 & 10.2.2	1,212,312	1,492,101	2,704,413	26,937,159	7,041,450	33,978,609
Pakistan Investment Bonds	10.2.1	10,490,171	-	10,490,171	3,746,352	-	3,746,352
Ijara Sukuk	10.2.1	401	-	401	-	-	-
Ordinary Shares of Listed Companies	10.2.3	1,252,948	-	1,252,948	1,042,548	-	1,042,548
Ordinary Shares of Unlisted Companies	10.2.4	11,000	-	11,000	-	-	-
Preference Shares of Listed Companies	10.2.5	136,589	-	136,589	143,739	-	143,739
Term Finance Certificates-listed	10.2.6	864,957	-	864,957	1,589,004	-	1,589,004
Term Finance Certificates-unlisted	10.2.7	1,077,378	-	1,077,378	627,750	-	627,750
Sukuk Certificates-unlisted	10.2.8	-	-	-	105,294	-	105,294
Closed end Mutual Funds	10.2.9	-	-	-	109,331	-	109,331
Open end Mutual Funds	10.2.10	196,379	-	196,379	40,000	-	40,000
US Dollar Bonds	10.2.11	1,726,004	-	1,726,004	787,052	-	787,052
		16,968,139	1,492,101	18,460,240	35,128,229	7,041,450	42,169,679
Investment in subsidiaries	10.2.12	1,919,121	-	1,919,121	1,919,121	-	1,919,121
Total investments at cost		30,555,762	12,553,585	43,109,347	39,146,395	7,041,450	46,187,845
Less: Provision for diminution in value of investments	10.3	(231,500)	-	(231,500)	(208,344)	-	(208,344)
Investments (net of provision)		30,324,262	12,553,585	42,877,847	38,938,051	7,041,450	45,979,501
Unrealised gain /(loss) on revaluation of investments classified as held-for-trading	10.4	121,473	(4,394)	117,079	926	-	926
(Deficit) / surplus on revaluation of available-for-sale securities	20	(314,227)	(1,383)	(315,610)	262,883	16,088	278,971
Total investments at carrying value		30,131,508	12,547,808	42,679,316	39,201,860	7,057,538	46,259,398

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

		2013	2012
		----- (Rupees in '000) -----	
	Note		
10.2	Investments by segments		
	Federal Government Securities		
Market Treasury Bills	10.2.1 & 10.2.2	24,813,081	35,422,672
Pakistan Investment Bonds	10.2.1	10,857,809	4,251,894
Ijara Sukuk	10.2.1	401	149,440
		35,671,291	39,824,006
	Fully Paid Ordinary Shares		
Listed Companies	10.2.3	1,506,628	1,042,548
Unlisted Companies	10.2.4	11,000	-
		1,517,628	1,042,548
	Fully Paid Preference Shares		
Listed Companies	10.2.5	136,589	143,739
	Term Finance Certificates		
Term Finance Certificates - listed	10.2.6	864,957	1,589,004
Term Finance Certificates - unlisted	10.2.7	1,077,378	627,750
Sukuk Certificates	10.2.8	-	105,294
		1,942,335	2,322,048
	Mutual Funds		
Closed end Mutual Funds	10.2.9	-	109,331
Open end Mutual Funds	10.2.10	196,379	40,000
		196,379	149,331
	Others		
US Dollar Bonds	10.2.11	1,726,004	787,052
	Investment in subsidiaries	1,919,121	1,919,121
	Total investments at cost	43,109,347	46,187,845
Less: Provision for diminution in value of investments	10.3	(231,500)	(208,344)
	Investments (net of provisions)	42,877,847	45,979,501
Unrealized gain on revaluation of held for trading securities	10.4	117,079	926
(Deficit) / surplus on revaluation of available-for-sale securities	20	(315,610)	278,971
	Total investments at carrying value	42,679,316	46,259,398

10.2.1 Principal terms of investment in Federal Government Securities

Name of investment	Maturity	Redemption Period	Coupon
Market Treasury Bills	January 09, 2014 to March 20, 2014	On maturity	At maturity
Pakistan Investment Bonds	April 29, 2014 to July 19, 2022	On maturity	Half Yearly
Ijara Sukuk	March 02, 2015	On maturity	Half Yearly

10.2.2 Included herein are Market Treasury Bills having a book value of Rs. 12,553.585 million (2012: Rs.7,041.450 million), given as collateral against repurchase agreement borrowings from financial institutions.

Notes to the Unconsolidated Financial Statements

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10.2.3 Details of investment in Ordinary shares - listed

Name of the Company	Share of Rs.10 each		Rating	Cost		Market value	
	2013	2012		2013	2012	2013	2012
	----- Numbers -----			----- (Rupees in '000) -----			
Held-for-trading securities							
- Ghani Glass Limited	6,300,000	-	Unrated	253,680	-	378,000	-
Available-for-sale securities							
- Fauji Fertilizer Company Limited	1,936,500	1,940,700	Unrated	223,328	231,061	216,811	227,334
- Ghani Glass Limited	2,845,404	9,090,908	Unrated	114,572	347,587	170,724	558,636
- Indus Motor Company Limited	66,200	9,200	Unrated	22,148	2,575	22,045	2,484
- Millat Tractors Limited	626,131	188,500	Unrated	309,327	103,453	302,108	106,420
- Attock Cement Pakistan Limited	823,400	-	Unrated	108,401	-	117,442	-
- Kohat Cement Company Limited	1,006,000	-	Unrated	77,605	-	98,357	-
- Sitara Chemical Industries Limited	906,300	-	A+	203,613	-	222,053	-
- Pakistan State Oil Company Limited	740,000	-	AA+	193,954	-	245,843	-
- Adamjee Insurance Company Limited	-	2,795,353	AA	-	213,123	-	190,475
- D.G Khan Cement Limited	-	2,264,000	Unrated	-	123,227	-	123,569
- Samba Bank Limited	-	7,742,500	AA-	-	19,390	-	23,150
- Shifa International Hospitals Limited	-	50,000	Unrated	-	2,132	-	2,025
				1,252,948	1,042,548	1,395,383	1,234,093
				1,506,628	1,042,548	1,773,383	1,234,093

10.2.4 Details of investment in ordinary shares - unlisted

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

10.2.5 Details of investment in preference shares - listed

Name of the Company	Share of Rs.10 each		Rating	Cost		Market value	
	2013	2012		2013	2012	2013	2012
	----- Numbers -----			----- (Rupees in '000) -----			
Available-for-sale securities							
Agritech Limited	4,823,746	4,823,746	D	48,236	48,236	43,414	48,719
Chenab Limited - 9.25% per annum cumulative preference shares (note 10.2.5.1)	12,357,000	13,357,000	Unrated	88,353	95,503	25,826	14,025
				136,589	143,739	69,240	62,744

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10.2.5.1 These are cumulative preference shares redeemable in part after four years from the date of issuance i.e. August 2008. The investee company also has 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 (2012: Rs. 95.503 million) due to decline in fair market value of the shares.

10.2.6 Details of investment in Term Finance Certificates - listed *

Name of the Investee	Certificates		Rating	Cost		Market value	
	2013	2012		2013	2012	2013	2012
	----- Numbers -----			----- (Rupees in '000) -----			
Available-for-sale securities							
Allied Bank Limited - 2nd Issue	9,000	9,000	AA	44,928	44,946	43,061	43,823
Askari Bank Limited - 3rd Issue	8,236	8,236	AA-	41,196	41,220	41,727	45,422
Engro Fertilizer Limited - 1st Issue	13,980	45,880	A+	69,347	227,142	69,725	223,293
Engro Fertilizer Limited - 3rd Issue	35,119	35,119	A+	147,633	161,659	149,695	146,914
Faysal Bank Limited	2,341	2,341	AA-	5,841	11,682	5,867	11,863
Pakistan Mobile Communication Limited	4,200	4,200	AA-	336,000	399,000	339,008	390,141
World Call Telecommunication Limited	90,650	90,650	D	194,132	185,829	135,893	135,893
Orix Leasing Pakistan Limited - 2nd Issue (face value of Rs.100,000 each)	1,294	1,294	AA+	25,880	77,640	25,941	77,087
Askari Bank Limited - 1st Issue	-	1,080	AA-	-	5,384	-	5,382
Faysal Bank Limited - 3rd Issue	-	3,090	AA-	-	3,853	-	3,859
NIB Bank Limited	-	43,898	A+	-	215,654	-	219,645
Pak Arab Fertilizer Limited - 2nd Issue	-	75,343	AA	-	113,004	-	113,057
Pakistan Mobile Communication Limited	-	31,260	AA-	-	25,888	-	26,117
United Bank Limited - 2nd Issue unsecured	-	15,317	AA	-	76,103	-	76,281
				864,957	1,589,004	810,917	1,518,777

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

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

Name of the Investee	Repayment frequency	Profit rate per annum	Maturity Date
Allied Bank Limited - 2nd issue	Semi-annually	6 Months KIBOR ask rate plus 0.85% (for five years)	August 28, 2019
Askari Bank Limited - 3rd Issue	Semi-annually	6 Months KIBOR ask rate plus 2.50% (for first five years)	November 18, 2019
Engro Fertilizer Limited - 1st Issue	Semi-annually	6 Months KIBOR ask rate plus 1.55%	November 30, 2015
Engro Fertilizer Limited - 3rd Issue	Semi-annually	6 Months KIBOR ask rate plus 2.40%	December 17, 2016
Faysal Bank Limited	Semi-annually	6 Months KIBOR ask rate plus 1.40%	November 12, 2014
Pakistan Mobile Communication Limited	Quarterly	3 Months KIBOR ask rate plus 2.65%	April 18, 2016
World Call Telecommunication Limited	Semi-annually	6 Months KIBOR ask rate plus 1.60%	October 07, 2015
Orix Leasing Pakistan Limited - 2nd Issue	Quarterly	3 Months KIBOR ask rate plus 2.15 %	June 30, 2014

Notes to the Unconsolidated Financial Statements

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

Name of the Investee	Certificates		Rating	Face value per certificate Rupees	Cost	
	2013 Numbers	2012			2013 (Rupees in '000)	2012
Independent Media Corporation (Pvt.) Limited	20,000	-	A+	-	95,000	-
Water & Power Development Authority	100,000	-	AAA	-	500,000	-
Askari Bank Limited - 4th Issue	75	75	AA-	1,000,000	75,207	75,256
Azgard Nine Limited (related party)	29,998	29,998	D	5,000	65,022	65,022
Agritech Limited (note 10.2.7.1)	30,000	30,000	D	5,000	149,860	149,860
Bank Alfalah Limited - 4th Issue	1,440	2,000	AA-	5,000	7,237	10,067
Engro Fertilizer Limited - 2nd Issue	1,100	1,100	A	5,000	5,089	5,027
Nishat Chunian Limited	50,000	50,000	A	5,000	109,375	171,875
Pakistan Mobile Communication Limited	20,000	20,000	Unrated	5,000	70,588	94,118
Orix Leasing Pakistan Limited	-	3,395	AA+	100,000	-	56,525
					1,077,378	627,750

10.2.7.1 The State Bank of Pakistan (SBP) vide its letter number BPRD/BRD(Policy)/2013-11339 dated July 25, 2013 has allowed the relaxation from PR-8 to the Bank from provision required in respect of the Bank's exposure in Agritech Limited. The provision is held at 50% of the required provision in these unconsolidated financial statements whereas the remaining provision will be made in phased manner at 60%, 75%, 85% and 100% by end of each quarter respectively till December 31, 2014. Had the relaxation not been granted by the SBP, the provision charge for the period would have been increased by Rs. 74.930 million.

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

Name of the Investee	Repayment frequency	Profit rate per annum	Maturity Date
Independent Media Corporation (Pvt.) Limited (Chief Executive: Mr. Mir Ibrahim Rahman)	Quarterly	3 Months KIBOR ask rate plus 3.00%.	August 5, 2018
Water & Power Development Authority - (Chairman: Syed Raghob Abbas Shah)	Semi-annually	6 Months KIBOR ask rate plus 1.00%.	September 27, 2021
Askari Bank Limited - (Chief Executive: Mr. Syed.M. Husaini)	Semi-annually	6 Months KIBOR ask rate plus 1.75%.	December 23, 2021
Azgard Nine Limited - a related party (Chief Executive: Mr. Ahmed H. Shaikh)	Semi-annually	6 Months KIBOR ask rate plus 1.25%.	December 04, 2017
Agritech Limited (Chief Executive: Mr. Ahmed Jaudet Bilal)	Semi-annually	6 Months KIBOR ask rate plus 1.75%.	December 31, 2014
Bank Alfalah Limited (Chief Executive: Mr. Atif Bajwa)	Semi-annually	6 Months KIBOR ask rate plus 2.50 %.	December 02, 2017
Engro Fertilizer Ltd. (Chief Executive: Mr. Ruhail Mohammad)	Semi-annually	6 Months KIBOR ask rate plus 1.70%.	March 18, 2018
Nishat Chunian Limited (Chief Executive: Mr. Shahzad Saleem)	Quarterly	3 Months KIBOR ask rate plus 2.25%.	September 30, 2015
Pakistan Mobile Communication Limited (Chief Executive: Mr. Rashid Khan)	Quarterly	3 Months KIBOR ask rate plus 2.65%	October 16, 2016

Notes to the Unconsolidated Financial Statements

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10.2.8 Sukuk Certificates - unlisted

Name of the Company	Certificates		Rating	Face value per certificate Rupees	Cost	
	2013	2012			2013	2012
	----- Numbers -----				---- (Rupees in '000) ----	
Available-for-sale securities						
Century Paper & Board Mills Limited	-	49,950	A+	5,000	-	97,378
Sitara Chemical Industries Limited	-	19,000	A+	5,000	-	7,916
					-	105,294

10.2.9 Closed End Mutual Funds

Name of the Fund	Certificates		Rating	Face value per certificate Rupees	Cost		Market value	
	2013	2012			2013	2012	2013	2012
	----- Numbers -----				----- (Rupees in '000) -----			
Available-for-sale related parties								
JS Value Fund	-	8,745,668	5-Star	10	-	99,701	-	78,711
- a related party	-	563,500	1-Star	10	-	9,046	-	9,241
PICIC Growth Fund	-	82,500	2-Star	10	-	584	-	583
PICIC Investment Fund					-	109,331	-	88,535

10.2.10 Open End Mutual Funds

Name of the Fund	Certificates		Rating	Net asset value per unit Rupees	Cost		Market value	
	2013	2012			2013	2012	2013	2012
	----- Numbers -----				----- (Rupees in '000) -----			
Available-for-sale related parties								
JS Value Fund (note 10.2.10.1)	874,567	-	4-Star	141.45	99,701	-	123,707	-
JS Islamic Government Securities Fund	1,016,333	-	AA-(f)	100.74	96,678	-	102,385	-
JS Funds of Funds	-	114,877	4-Star	91.21	-	10,000	-	10,478
JS Islamic Fund	-	539,665	4-Star	56.73	-	30,000	-	30,615
					196,379	40,000	226,092	41,093

10.2.10.1 In compliance with the Regulation 65 of NBFC and Notified Entities Regulations 2008, the Fund has now been converted into an open end scheme and, accordingly the shares having par value of Rs.10 each of JS Value Fund Limited were converted in units of par value of Rs. 100 each (i.e. 10:1). The Bank has recognized impairment on these units amounting to Rs. 68.216 million (2012: 68.216 million) as per BSD circular No. 04, 2009 dated February 13, 2009.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

10.2.11 Investment in US Dollar Bonds

Name of Bond	Rating	Coupon Rate p.a %	Date of Maturity	Cost		Market value	
				2013	2012	2013	2012
----- (Rupees in '000) -----							
Available for sale							
BCO BTG Pactical	Baa3	4.00%	16-Jan-20	60,041	-	55,074	-
Power Grid India	BBB-	3.88%	17-Jan-23	97,307	-	90,813	-
Yapi Kredi Bankasi	Baa2	4.00%	22-Jan-20	104,887	-	94,286	-
Turkiye Halk Bankasi	Baa2	3.88%	5-Feb-20	65,187	-	58,340	-
Bank Pozitif	BBB-	5.00%	7-Feb-18	210,649	-	198,537	-
ADCB Fin Cayman	A	4.50%	6-Mar-23	52,233	-	51,030	-
Tanner S Financieros SA	BBB-	4.38%	13-Mar-18	52,413	-	50,635	-
IDBI Bank Ltd	Baa3	3.75%	25-Jan-19	94,614	-	87,741	-
Turk Vak Bank Tao (Turkiye Vakiflar Bankasi)	Baa2	3.75%	15-Apr-18	24,944	-	24,002	-
Ageas Capital Asia	A-	4.13%	25-Apr-23	72,957	-	69,416	-
Union Bank Of India Hk	Baa3	3.63%	25-Oct-18	104,929	-	100,897	-
(Fin Katilim Bk) Turkiye Finans Via TF Va	BBB	3.95%	2-May-18	21,065	-	20,217	-
Kazagro Natl Mgmt Hldng	BBB+	4.63%	24-May-23	52,552	-	48,444	-
Emirates NBD Tier 1	A+	5.75%	30-May-19	50,835	-	46,993	-
Indian Oil Corp Ltd	Baa3	5.75%	1-Aug-23	21,065	-	20,573	-
Banco Nacional	Baa3	4.88%	1-Nov-18	52,456	-	52,072	-
ICICI Bank Ltd	Baa2	4.80%	22-May-19	68,198	-	68,769	-
Emirates NBD PJSC	A	5.00%	27-Nov-23	103,495	-	104,535	-
FLR NTS Emirates NBD PJSC	A+	3.55%	29-Mar-17	105,325	97,150	107,900	96,556
Tupras-Turkiye Petrol Ra	BBB-	4.13%	2-May-18	26,287	24,238	25,278	24,196
Indian Overseas Bank	Baa3	4.63%	21-Feb-18	105,513	99,079	104,575	99,705
SB Capital SA (Sber Bank)	Baa3	5.13%	29-Oct-22	157,987	145,724	151,272	147,910
Trukiye Bankasi	BBB-	6.00%	24-Oct-22	21,065	19,430	18,706	20,620
Allianz SE	A2	5.50%	26-Sep-18	-	38,860	-	39,694
Barclays Bank Plc	BBB-	7.63%	21-Nov-22	-	97,227	-	97,101
Finansbank AS	BBB-	5.15%	1-Nov-17	-	96,231	-	96,898
Investec Bank Ltd	Baa1	3.88%	24-Jul-17	-	96,631	-	97,484
Syndicate Bank	Baa3	4.13%	12-Apr-18	-	48,374	-	49,308
Turkiye Garanti Bank	Baa2	4.00%	13-Sep-17	-	24,108	-	25,169
				1,726,004	787,052	1,650,105	794,641

10.2.12 Investment in subsidiaries

	Shares Number	Holding Percentage	Cost	
			2013 ---- (Rupees in '000) ----	2012
JS Global Capital Limited (JSGCL)	25,525,169	51.05%	1,357,929	1,357,929
JS Investments Limited (JSIL)	52,236,978	52.24%	561,192	561,192
			1,919,121	1,919,121

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

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

	Note	2013 ----- (Rupees in '000) -----	2012
10.3 Particulars of provision for diminution in value of investments			
Opening balance		208,344	155,920
Charge for the year		44,958	67,332
Reversal on disposal of investments		(21,802)	(14,908)
		23,156	52,424
Closing balance		231,500	208,344
10.3.1 Particulars of provision for diminution in value of investments by type and segment			
Available-for-sale			
Preference shares of listed company		88,353	95,503
Open end mutual funds	10.2.10.1	68,217	68,217
Term Finance Certificates-unlisted		74,930	29,972
Ordinary shares of listed companies		-	14,652
		231,500	208,344
10.4 Unrealized gain / (loss) on revaluation of investments classified as held for trading			
Market Treasury Bills		(9,558)	146
Pakistan Investment Bonds		2,317	-
Ordinary shares of listed companies		124,320	780
		117,079	926
11. ADVANCES - net			
Loans, cash credit, running finances, etc.			
In Pakistan		32,483,931	19,467,579
Outside Pakistan		-	-
		32,483,931	19,467,579
Net investment in finance lease in Pakistan	11.2	582,682	388,725
Bills discounted and purchased (excluding treasury bills)			
payable in Pakistan		944,448	104,080
payable outside Pakistan		1,152,631	1,065,790
		2,097,079	1,169,870
Advances - gross	11.1	35,163,692	21,026,174
Provision for non-performing advances - specific	11.4	(1,398,195)	(970,062)
Provision for non-performing advances - general	11.4	(2,990)	(1,191)
		(1,401,185)	(971,253)
Advances - net of provision		33,762,507	20,054,921
11.1 Particulars of advances (gross)			
11.1.1 In local currency		34,011,061	19,960,384
In foreign currency		1,152,631	1,065,790
		35,163,692	21,026,174
11.1.2 Short term (for upto one year)		32,390,823	18,867,709
Long term (for over one year)		2,772,869	2,158,465
		35,163,692	21,026,174

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11.2 Particulars of net investment in finance lease

	2013			2012		
	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	232,614	323,363	555,977	146,028	265,521	411,549
Guaranteed residual value	11,452	103,598	115,050	-	50,202	50,202
Minimum lease payments	244,066	426,961	671,027	146,028	315,723	461,751
Finance charges for future periods	(49,354)	(38,992)	(88,346)	(36,102)	(36,924)	(73,026)
Present value of minimum lease payments	194,712	387,969	582,681	109,926	278,799	388,725

11.3 Advances include Rs.2,758.377 million (2012: Rs.3,037.264 million) which have been placed under non-performing status as detailed below:

Category of classification	Note	2013				
		Domestic	Overseas	Total	Provision required	Provision held
		(Rupees in '000)				
Other assets especially mentioned		-	-	-	-	-
Substandard		414,666	-	414,666	50,016	50,016
Doubtful		34,269	-	34,269	3,361	3,361
Loss		2,309,442	-	2,309,442	1,344,818	1,344,818
	11.3.1	2,758,377	-	2,758,377	1,398,195	1,398,195

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

11.3.1 The State Bank of Pakistan (SBP) vide its letter number BPRD/BRD(Policy)/2013-11339 dated 25, 2013 has allowed the relaxation from PR-8 to the Bank from provision required in respect of the Bank's exposure in Agritech Limited. The provision is held at 50% of the required provision in these unconsolidated financial statements whereas the remaining provision will be made in phased manner at 60%, 75%, 85% and 100% by end of each quarter respectively till December 31, 2014. Had the relaxation not been granted by the SBP, the provision charge for the period would have been increased by Rs. 250.894 million net of benefit of forced sale value.

Notes to the Unconsolidated Financial Statements

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11.4 Particulars of provision against non-performing advances

	2013			2012		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Opening balance	970,062	1,191	971,253	512,666	1,083	513,749
Charge for the year	560,758	1,799	562,557	488,202	108	488,310
Reversals	(132,625)	-	(132,625)	(30,806)	-	(30,806)
	428,133	1,799	429,932	457,396	108	457,504
Closing Balance	1,398,195	2,990	1,401,185	970,062	1,191	971,253
In local currency	1,398,195	2,990	1,401,185	970,062	1,191	971,253
In foreign currencies	-	-	-	-	-	-
	1,398,195	2,990	1,401,185	970,062	1,191	971,253

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

11.5 The Bank has availed total benefit of collateral amounting to Rs.782.624 million (2012: 544.734 million) under the directives of the SBP. Had the benefit not been taken the provision charge for the year would have increased by Rs.237.890 million (2012: 544.734 million) and profit after tax would have been reduced by Rs. 154.628 million (2012: 354.077 million). As required by the SBP directives, the increase in profit will not be available for distribution as dividend or other appropriations.

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

In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to a person during the year ended December 31, 2013 is given in Annexure 'I' to these financial statements. These loans are written-off as a book entry without prejudice to the Bank's right of recovery against the customers.

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

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

Note	2013	2012
	----- (Rupees in '000) -----	
Balance at the beginning of the year	640,074	322,094
Loans granted during the year	378,599	424,092
Repayments	(146,746)	(106,112)
Balance at the end of the year	871,927	640,074

Debts due by subsidiaries and associates are disclosed in note 40

Notes to the Unconsolidated Financial Statements

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12. OPERATING FIXED ASSETS

	Note	2013 ----- (Rupees in '000) -----	2012 ----- (Rupees in '000) -----
Capital work-in-progress	12.1	278,004	60,272
Property and equipment	12.2	1,710,560	1,508,088
Intangible assets	12.3	1,638,948	1,596,757
		3,627,512	3,165,117

12.1 Capital work-in-progress

Property and equipment

	2013 ----- (Rupees in '000) -----	2012 ----- (Rupees in '000) -----
Civil works	15,913	7,953
Advances for purchase of land and building	200,823	-
Advances for purchase of furniture & fixtures	2,402	1,870
Advances for purchase of vehicles	7,639	23,712
Advances for purchase of equipment and softwares	51,227	26,737
	278,004	60,272

12.2 Property and equipment

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

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	COST			ACCUMULATED DEPRECIATION				Book value as at December 31, 2012	Rate %	
	As at January 01, 2012	Additions / Adjustments	Deletions	As at December 31, 2012	As at January 01, 2012	Deletions / Adjustments	Charge for the year			As at December 31, 2012
(Rupees in '000)										
Land, Freehold	117,026	2,341	-	119,367	-	-	-	-	119,367	0
Building on free hold land	55,478	-	-	55,478	1,124	-	883	2,007	53,471	1.01
Building on lease hold land	342,300	-	-	342,300	20,432	-	7,212	27,644	314,656	1.02 - 4.78
Lease hold improvements	474,790	41,350 (26,196)	-	489,944	143,837	- (9,978)	47,902	181,761	308,183	10
Furniture and fixture	159,875	34,507 8,590	(181)	202,791	56,690	(181) 3,469	22,397	82,375	120,416	12.5
Electrical, office and computer equipment	768,150	119,575 17,606	(5,195)	900,136	421,187	(3,040) 6,509	93,907	518,563	381,573	12.5 - 33.3
Vehicles	243,706	158,149	(68,484)	333,371	119,206	(46,986)	50,729	122,949	210,422	20
	<u>2,161,325</u>	<u>355,922</u>	<u>(73,860)</u>	<u>2,443,387</u>	<u>762,476</u>	<u>(50,207)</u>	<u>223,030</u>	<u>935,299</u>	<u>1,508,088</u>	

12.2.1 Included in cost of property and equipment are fully depreciated items still in use having cost of Rs.354.501 million (December 31, 2012: Rs.325.158 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 "II" of these unconsolidated financial statements.

12.3 Intangible assets

	Note	COST			ACCUMULATED AMORTISATION				Book value as at December 31, 2013	Rate %
		As at January 01, 2013	Additions	Deletions	As at December 31, 2013	As at January 01, 2013	Charge for the year	As at December 31, 2013		
(Rupees in '000)										
Computer software		193,551	74,313	-	267,864	71,418	21,122	92,540	175,324	10
Goodwill	12.3.2	1,463,624	-	-	1,463,624	-	-	-	1,463,624	-
		<u>1,657,175</u>	<u>74,313</u>	<u>-</u>	<u>1,731,488</u>	<u>71,418</u>	<u>21,122</u>	<u>92,540</u>	<u>1,638,948</u>	

	Note	COST			ACCUMULATED AMORTISATION				Book value as at December 31, 2012	Rate %
		As at January 01, 2012	Additions	Deletions	As at December 31, 2012	As at January 01, 2012	Charge for the year	As at December 31, 2012		
(Rupees in '000)										
Stock exchange card	12.3.1	11,000	-	-	11,000	-	-	-	-	-
Computer software		182,883	10,668	-	193,551	52,508	18,910	71,418	122,133	10
Goodwill	12.3.2	1,463,624	-	-	1,463,624	-	-	-	1,463,624	-
		<u>1,657,507</u>	<u>10,668</u>	<u>-</u>	<u>1,668,175</u>	<u>52,508</u>	<u>18,910</u>	<u>71,418</u>	<u>1,585,757</u>	

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12.3.1 During the period, in accordance with the requirements of the Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012 (The Act), the Bank was entitled to receive equity Shares of Islamabad Stock Exchange (ISE) and a Trading Right Entitlement in lieu of its Membership card of ISE. The said process of demutualization was finalized during the period and the Bank has been allotted 3,034,603 shares of ISE. Rs. 10/- each based on the revaluation of their assets and liabilities as approved by Securities and Exchange Commission of Pakistan (SECP). The Bank has received 40% equity shares i.e. 1,213,841 shares of ISE. The remaining 60% shares, i.e. 1,820,762 shares, are transferred to blocked CDC account maintained by ISE. The Bank has derecognized membership card and all amount has been allocated to shares of ISE and no amount has been allocated to TREC.

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

12.3.3 Key assumptions used in value in use calculation

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

	2013	2012
	Percentages	
Discount rate	21.62	21.29
Terminal growth rate	10.00	10.00

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

(a) Interest margins

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

(b) Discount rates

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

(c) Key business assumptions

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

(d) Sensitivity to changes in assumptions

The estimated recoverable amount of the 'Trading and Sales' CGU exceeds its carrying amount by approximately Rs. 714.102 million. Management has identified two key assumptions for which there could be a reasonably possible change that could cause the carrying amount to exceed the recoverable amount. The following table shows the amount that these two assumptions are required to change individually in order for the estimated recoverable amount to be equal to the carrying amount:

	Change required for carrying amount to equal recoverable amount	
	2013	2012
	Percentages	
Cost of equity	1.95	1.79
Terminal growth rate	(3.18)	(2.86)

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	Note	2013	2012
		----- (Rupees in '000) -----	
13. DEFERRED TAX ASSETS - net			
Deferred tax debits arising from:			
Unused tax losses	13.2	995,770	984,193
Provision against investments		81,025	72,920
Provision against loans		96,754	106,869
Minimum tax	13.3	160,075	81,968
Provision for workers' welfare fund		14,888	-
Surplus / (deficit) on revaluation of investment classified assets as available for sale		110,464	(97,640)
		1,458,976	1,148,310
Deferred tax credits arising due to:			
Fixed assets		(172,216)	(142,171)
Goodwill		(358,588)	(307,361)
Unrealized gain on revaluation of investment classified as held for trading		(40,978)	(324)
Unrealized (gain) / loss on revaluation of derivative financial instruments		(3,589)	818
		(575,371)	(449,038)
		883,605	699,272

13.1 Movement in temporary differences during the year:

Note	Balance as at January 01, 2012	Recognised in profit and loss account	Recognised in equity	Balance as at December 31, 2012	Recognised in profit and loss account	Recognised in equity	Balance as at December 31, 2013
	----- (Rupees in '000) -----						
Deferred tax debits arising from:							
Unused tax losses	1,248,585	(264,392)	-	984,193	11,577	-	995,770
Provision against investments	54,573	18,347	-	72,920	8,105	-	81,025
Provision against loans	51,842	55,027	-	106,869	(10,115)	-	96,754
Minimum tax	86,140	(4,172)	-	81,968	78,107	-	160,075
Provision for workers' welfare fund	-	-	-	-	14,888	-	14,888
Deferred cost	235	(235)	-	-	-	-	-
Provision for gratuity	26,371	(26,371)	-	-	-	-	-
Surplus / (deficit) on revaluation of investment classified assets as available for sale	15,120	-	(112,760)	(97,640)	-	208,104	110,464
	<u>1,482,866</u>	<u>(221,796)</u>	<u>(112,760)</u>	<u>1,148,310</u>	<u>102,562</u>	<u>208,104</u>	<u>1,458,976</u>
Deferred tax credits arising due to:							
Fixed assets	(140,471)	(1,700)	-	(142,171)	(30,045)	-	(172,216)
Goodwill	(256,134)	(51,227)	-	(307,361)	(51,227)	-	(358,588)
Unrealised loss of revaluation of investment classified as held for trading	1,053	(1,377)	-	(324)	(40,654)	-	(40,978)
Unrealized (gain) / loss on revaluation of derivative financial instruments	(1,436)	2,254	-	818	(4,407)	-	(3,589)
Share of profit from associate	(3,412)	3,412	-	-	-	-	-
	<u>(400,400)</u>	<u>(48,638)</u>	<u>-</u>	<u>(449,038)</u>	<u>(126,333)</u>	<u>-</u>	<u>(575,371)</u>
	<u>1,082,466</u>	<u>(270,434)</u>	<u>(112,760)</u>	<u>699,272</u>	<u>(23,771)</u>	<u>208,104</u>	<u>883,605</u>

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

- 13.2** The management of the Bank has prepared a five year projections which have been approved by the Board of Directors of the Bank. The projections involve certain key assumptions underlying the estimation of future taxable profits projected in the projections. The determination of future taxable profits is most sensitive to certain key assumptions such as cost to income ratio of the Bank, deposit composition, growth of deposits and advances, investment returns, potential provision against assets, branch expansion plan, etc. Any significant change in the key assumptions may have an effect on the realisability of the deferred tax asset. The management believes that it is probable that the Bank will be able to achieve the profits projected in the projections and consequently the deferred tax asset will be fully realised in the future.
- 13.3** Adjustability of minimum tax (in future years) is provided under section 113(2)(C) of the Income Tax Ordinance, 2001 (the Ordinance). The said provision provides that the excess of minimum tax over 'actual carried forward for adjustment against tax liability (up to five years). However, during the current year the Sindh High Court (SHC) passed an order against the issue which has arisen where actual tax payable for the year is Nil, and whole amount of minimum tax was considered for adjustment in future. The SHC passed an order that actual tax payable should be an absolute amount, and cannot be zero or Nil; therefore minimum tax paid in such a situation is not eligible for adjustment in future, in terms of section 113(2)(C) of the Ordinance. Currently, aforesaid decision of the SHC has been further appealed, and issue is now subjudiced before the Supreme Court of Pakistan (SCP). Management and tax advisor are of the opinion that, based on valid legal grounds, favourable outcome is expected. Accordingly, till the finalization of matter at the SCP, the Bank will continue to carry forward the tax paid.

14. OTHER ASSETS

	Note	2013 ----- (Rupees in '000) -----	2012 ----- (Rupees in '000) -----
Income / mark-up accrued in local currency	14.1	1,299,585	693,691
Income / mark-up accrued in foreign currency		28,501	10,236
Advances, deposits, advance rent and other prepayments		233,930	180,689
Taxation (payments less provision)		-	65,182
Receivable against bancaassurance from a related party		20,935	15,541
Stationery and stamps on hand		3,464	3,148
Prepaid exchange risk fee		507	505
Unrealised gain on forward foreign exchange contracts - net		10,254	-
Receivable from other banks in respect of remittance	14.2	255,917	257,675
Non-banking assets acquired in satisfaction of claims	14.3	21,823	-
Others		67,443	17,600
		1,942,359	1,244,267

- 14.1** This includes an amount of Rs. 7.842 million (2012: 17.051 million) due from related parties.
- 14.2** This includes an amount of Rs. 197.115 million (2012: 204.985 million) receivable from State Bank of Pakistan in respect of home remittance services provided by the Bank.

14.3 Non banking assets acquired in satisfaction of claims

Market value of non-banking assets acquired in satisfaction of claims

	2013 ----- (Rupees in '000) -----	2012 ----- (Rupees in '000) -----
	38,419	-

In Pakistan	1,409,681	708,734
Outside Pakistan	5,112	5,013
	1,414,793	713,747

15. BILLS PAYABLE

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

	Note	2013	2012
		----- (Rupees in '000) -----	
16. BORROWINGS			
In Pakistan		20,146,703	8,173,564
Outside Pakistan		4,143	48,709
		20,150,846	8,222,273
16.1 Particulars of borrowings with respect to currencies			
In local currency		20,146,703	8,173,564
In foreign currencies		4,143	48,709
		20,150,846	8,222,273
16.2 Details of borrowings from financial institutions			
Secured			
Borrowing from SBP under export refinancing scheme	16.2.1	1,976,100	1,023,474
Repurchase agreement borrowings	16.2.2	17,180,603	7,050,090
		19,156,703	8,073,564
Unsecured			
Call borrowings	16.2.3	990,000	100,000
Overdrawn nostro accounts	16.2.4	4,143	48,709
		994,143	148,709
		20,150,846	8,222,273

16.2.1 The Bank has entered into agreement with the State Bank of Pakistan (SBP) for extending export finance to customers. As per the terms of the agreement, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of finances by directly debiting the current account maintained by the Bank with SBP. These borrowings are repayable on a quarterly basis and carry mark-up at the rate of 8.4% (2012: 8.50% to 10%) per annum.

16.2.2 This represents collateralised borrowing from SBP and other financial institutions against Market Treasury Bills carrying mark-up at the rate ranging between 10.00% to 10.50% (2012: 8.80% to 8.86%) per annum and would mature up to January 03, 2014 (2012: January 04, 2013).

16.2.3 These represent call money borrowings from financial institutions, carrying interest at the rate of 9.00% (2012: 8.5%) per annum.

16.2.4 This represents borrowings from financial institutions outside Pakistan.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

17. DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	25,729,940	20,771,890
Savings deposits	24,082,503	17,964,800
Current accounts - non-remunerative	22,146,983	16,845,870
Margin account	484,583	317,491
	72,444,009	55,900,051

Financial Institutions

Remunerative deposits	8,375,651	6,420,235
Non-remunerative deposits	96,465	223,507
	8,472,116	6,643,742
	80,916,125	62,543,793

17.1 Particulars of deposits

In local currency	74,764,676	58,657,117
In foreign currencies	6,151,449	3,886,676
	80,916,125	62,543,793

18. OTHER LIABILITIES

	2013	2012 *(Restated)
	----- (Rupees in '000) -----	
Mark-up / return / interest payable in local currency	549,279	458,025
Mark-up / return / interest payable in foreign currency	13,184	8,629
Accrued expenses	221,051	234,662
Payable in respect of defined benefit plan	1,289	11,358
Customer insurance payable	6,863	2,997
Unrealised loss on forward foreign exchange contracts - net	-	2,337
Unclaimed dividends	4,207	4,207
Government duties	35,150	30,048
Donation payable	10,000	14,000
Lease key money deposit	115,050	50,202
Provision for Workers' Welfare Fund (WWF)	42,536	32,509
Payable against remittance	241,611	169,618
Taxation (payments less provision)	36,389	-
SSC / DSC Sale Payable	-	8,000
Staff reimbursements payable	8,255	6,770
ATM charges payable	5,396	5,903
Payable against export bills	677	5,110
Retention money payable	1,737	6,210
Payable against maintenance of IT equipment	2,413	3,630
Payable to VISA on transaction settlements	16,048	8,593
Others	43,180	59,955
	1,354,315	1,122,763

18.1 Included herein is a sum of Rs. 9.938 million (2012: Rs.46.516 million) payable to related parties.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

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

Aggrieved by the amendments made through the Finance Act, certain stakeholders filed petition against the changes in the Lahore High Court which struck down the aforementioned amendments to the WWF Ordinance in 2011. However, some stakeholders also filed the petition in the Sindh High Court which, in 2013, decided the petition against stakeholders. The company along with its group companies has decided to file the petition in the Higher Court against the changes. On prudent basis, the Bank has recognized aggregate provision as per Finance Act, 2008.

19. SHARE CAPITAL

19.1 Authorised capital

2013		2012		Note	2013		2012	
----- (Number of shares) -----					----- (Rupees in '000) -----			
1,350,000,000	1,500,000,000	Ordinary shares of Rs.10 each		13,500,000	15,000,000			
150,000,000	-	Convertible preference shares of Rs.10 each	1.3	1,500,000	-			
<u>1,500,000,000</u>	<u>1,500,000,000</u>			<u>15,000,000</u>	<u>15,000,000</u>			

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

2013		2012		Note	2013		2012	
----- (Number of shares) -----					----- (Rupees in '000) -----			
538,558,965	538,558,965	Issued for cash		5,385,590	5,385,590			
533,905,297	533,905,297	Issued for consideration other than cash		5,339,053	5,339,053			
<u>1,072,464,262</u>	<u>1,072,464,262</u>			<u>10,724,643</u>	<u>10,724,643</u>			

- 19.2.1** Subsequent to the year end on February 19, 2014, the Bank has issued 150 million un-listed, convertible, irredeemable, perpetual, non-cumulative, non-voting preference shares of Rs. 10 each which qualified for Additional Tier I Capital under Basel III requirement.

20. (DEFICIT) / SURPLUS ON REVALUATION OF ASSETS - net of tax

Available-for-sale securities:

	2013	2012
	----- (Rupees in '000) -----	
Term Finance Certificates - listed	(54,040)	(70,227)
Ordinary shares - listed	142,435	206,198
Preference shares - listed	21,003	14,507
Open end mutual funds	97,929	1,093
US dollar bonds	(75,899)	7,589
Government securities	(447,038)	72,389
Closed end mutual funds	-	47,422
	<u>(315,610)</u>	<u>278,971</u>
Related deferred tax asset / (liability)	110,464	(97,640)
	<u>(205,146)</u>	<u>181,331</u>

10.2.10.1

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

21. CONTINGENCIES AND COMMITMENTS

21.1 Transaction-related contingent liabilities

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

i)	Government	2,520,803	1,950,045
ii)	Banking companies and other financial institutions	210,521	588,099
iii)	Others	333,832	293,522
		3,065,156	2,831,666

21.2 Trade-related contingent liabilities

Documentary credits

4,882,691	4,992,746
------------------	-----------

21.3 Other contingencies

Claims not acknowledged as debts

66,896	66,718
---------------	--------

21.4 Commitments in respect of forward exchange contracts

Purchase

6,988,325	2,292,630
------------------	-----------

Sale

6,485,184	2,450,968
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The Bank utilises foreign exchange instruments to meet the need of its customers and as part of its asset and liability management activity to hedge its own exposure to currency risk. At year end, all foreign exchange contracts have a remaining maturity of less than one year.

21.5 Commitments in respect of forward lending

Forward commitments to extend credit

675,700	604,511
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21.6 Other commitments

Commitment in respect of capital expenditure

75,320	33,149
---------------	--------

22. DERIVATIVE INSTRUMENTS

Cross currency swaps (notional principal)

1,084,500	-
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Derivative instruments, such as Forward Rate Agreement, Interest Rate Swaps, Cross Currency Swaps and FX Options, are forward transactions that provide market making opportunities / hedge against the adverse movement of interest and exchange rates. Derivatives business provides risk solutions for the existing and potential customers of the Bank. All Derivative transactions are governed by the Financial Derivatives Business Regulations (FDBR) issued by the State Bank of Pakistan (SBP).

JS 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-entitlement risk. Bank's Central Credit Committee is responsible for reviewing and managing associated Counterparty Credit Risks of the Transaction.

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

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

22.1 Product Analysis

With Banks for:

Hedging
Market Making

2013		2012	
Cross Currency Swaps		Cross Currency Swaps	
Contracts Numbers	Notional Principal Rupees '000	Contracts Numbers	Notional Principal Rupees '000
2	1,084,500	-	-
-	-	-	-
2	1,084,500	-	-

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

22.2 Maturity Analysis

Interest Rate Swaps and Forward Rate Agreements

Remaining Maturity	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
Upto 1 month	-	-	-	-	-
1 to 3 months	-	-	-	-	-
3 to 6 months	-	-	-	-	-
6 month to 1 Year	-	-	-	-	-
1 to 2 Year	-	-	-	-	-
2 to 3 Years	2	1,084,500	(42,738)	46,837	4,099
3 to 5 Years	-	-	-	-	-
5 to 10 years	-	-	-	-	-
Above 10 Years	-	-	-	-	-

23. MARK-UP / RETURN / INTEREST EARNED

On loans and advances to:

Customers
Financial institutions

On investments in:

Available-for-sale securities
Held-for-trading securities

On deposits with financial institutions

On securities purchased under resale agreements

2013	2012
----- (Rupees in '000) -----	
2,738,532	2,561,213
57,566	56,400
2,796,098	2,617,613
2,328,850	2,259,401
1,454,585	992,780
3,783,435	3,252,181
89	59
270,319	153,006
6,849,941	6,022,859

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

	2013	2012
Note	----- (Rupees in '000) -----	
24. MARK-UP / RETURN / INTEREST EXPENSED		
Deposits	3,887,381	3,282,861
Securities sold under repurchase agreements	444,253	344,641
Borrowings	193,048	130,717
	4,524,682	3,758,219
25. FEE, COMMISSION AND BROKERAGE INCOME		
Advisory fee	53,315	40,638
Trustee fee	3,295	9,487
Other fees, commission and charges	594,965	515,831
25.1	651,575	565,956

25.1 This includes Rs. 87.493 million (2012: 84.650 million) in respect of commission income from home remittance services provided by the Bank. The amount is received from State Bank of Pakistan at the rate of Saudi Riyal 25 per transaction over USD 100 and is shared between the Bank and various exchange companies as per terms of agreement with them.

	2013	2012
Note	----- (Rupees in '000) -----	
26. GAIN / (LOSS) ON SALE OF SECURITIES - net		
Federal Government Securities		
- Treasury Bills	53,409	250,728
- Pakistan Investment Bonds	150,340	400,649
- Ijara Sukuk Certificates	151	10,980
Ordinary shares - listed	16,412	60,135
Term Finance Certificates	621	12,312
US Dollar Bonds	(3,749)	56,658
Mutual Fund Units / Certificates	5,190	33,951
26.1	222,374	825,413

26.1 Included herein a sum of Rs. 5.19 million (2012: Rs.33.95 million) representing gain arising on sale of shares / units of a related party.

27. OTHER INCOME

27.1 This represents gain on sale of operating fixed assets.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

		2013	2012 Restated
	Note	----- (Rupees in '000) -----	
28. ADMINISTRATIVE EXPENSES			
Salaries, wages, allowances, etc.		1,143,589	965,021
Contractor wages		142,003	116,733
Charge for defined benefit plan	35.5	14,566	21,565
Contribution to defined contribution plan		49,593	41,810
Non-executive directors' fee, allowances and other expenses		830	913
Brokerage, fee and commission		19,438	17,020
Rent, taxes, insurance, electricity, etc.		535,650	423,178
Legal and professional charges		21,005	28,685
Donations	28.1	10,000	14,000
Communication		55,563	63,038
Repairs and maintenance		308,611	298,442
Travel and other related expenses		21,078	16,965
Stationery and printing		77,484	52,834
Advertisement and publicity		85,142	49,850
Postage and courier service		20,156	14,936
Stamp duty		9,288	4,704
CDC and other charges		2,423	1,884
Bank charges and clearing house charges		38,149	28,270
Consultancy fee		47,403	32,587
Security services		85,401	52,169
Fees and subscription		20,326	22,139
Auditors' remuneration	28.2	3,950	5,224
Depreciation	12.2	268,460	223,030
Amortisation of intangible assets	12.3	21,122	18,910
Staff training		3,745	4,507
Others		33,093	33,374
		3,038,068	2,551,788

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

28.2 Auditors' Remuneration

Audit fee	1,450	1,450
Half-yearly review	500	400
Special certification and Tax Fee	1,427	3,098
Out of pocket expenses	573	276
	3,950	5,224

29. OTHER PROVISIONS / WRITE OFFS

29.1 This includes provision held against workers welfare fund (WWF) @ 2% of the higher of profit before tax or taxable income under Workers Welfare Ordinance, 1971.

30. OTHER CHARGES

	2013	2012 Restated
	----- (Rupees in '000) -----	
Penalties imposed by State Bank of Pakistan	544	1,737
Refund of penalties by State Bank of Pakistan	-	(4,367)
	544	(2,630)

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

31. TAXATION

- 31.1** In view of tax losses of the Bank tax provision has been made for minimum taxation @ 1% (2012: 0.5%) under section 113 of the Income Tax Ordinance, 2001
- 31.2** The Bank has revised the income tax returns for the tax years 2010 and 2011 claiming back the minimum tax charged for the said years on account of gross losses in those years.

31.3 Relationship between income tax expense and accounting profit

Accounting profit for the year

Tax on income @ 35% (2012: 35%)
 Tax effect of permanent differences
 Adjustments in respect of tax at reduced rates
 Prior year effects of deferred taxation
 Reversal of minimum tax of prior year
 Others

Tax charge for the year

	2013	2012
	----- (Rupees in '000) -----	
	501,371	979,542
	(175,480)	(342,840)
	(190)	921
	83,958	40,844
	(58,376)	21,501
	-	10,157
	-	(892)
	(150,088)	(270,309)

- 31.4** Under Section 114 of the Income Tax Ordinance, 2001, the Bank has filed the tax returns for the tax years 2006 through 2013. The said returns are deemed to be assessed under the provisions of prevailing income tax laws as applicable in Pakistan. However, tax authorities have issued notices for the amendment of assessments for the tax year 2008 to 2012. Since such proceedings have not yet been concluded by the authorities, therefore any estimate of tax exposure cannot be determined at this stage.

During the year, the Deputy Commissioner Inland Revenue (“the DCIR”) has passed the combined Assessment Order claiming short payment of the Federal Excise Duty (FED) on services categorized under the head brokerage services / commission / fee for the periods from January 01, 2007 to December 31, 2010 ignoring the fact that the periods from January 2007 to August 2008 is already time-barred under section 14 of the Federal Excise Act, 2005 since the respective SCN was issued on August 29, 2013. Management and tax advisor believe that amounts and periods considered in adjudication / assessment were erroneous which were neither based on the amounts and period given in the show -cause notice nor based on the respective financial statements. However, an appeal was filed against the order and subsequently the CIR Appeals has remanded back the order.

Tax department has initiated monitoring of withholding taxes in respect of short deduction of tax on salaries under section 149. Thereafter ex-party orders have been passed whereby tax demands of Rs.1.503 million and Rs.1.641 million for the tax years 2011 and 2012 have been raised. The Bank has applied for rectification of the orders, contending no tax withholding default, and further has also filed appeal to the CIR - Appeals. Management and tax advisor believes that demands raised would not be sustained, and are hopeful that the same would be held annulled in the decision of appeal.

Furthermore, monitoring of withholding taxes under section 153, 155 and 156(2) for the tax year 2010 have been initiated which are still under process.

With regard to the Bank's AJK operations, the Commissioner has issued notice to select the return filed for the Tax Year 2011. Proceedings are under progress and ultimate liability cannot be ascertained reasonably at this point of time.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

32. EARNINGS PER SHARE - BASIC AND DILUTED

		2013	2012
Profit for the year after taxation	Rupees in '000	351,283	709,233
Weighted average number of Ordinary shares outstanding during the year	Numbers	1,072,464,262	1,012,293,818
Earnings per share - basic and diluted	Rupee	0.33	0.70

Diluted earnings per share has not been presented as the Bank does not have any convertible instruments in issue at December 31, 2012 and 2013 which would have any effect on the earnings per share if the option to convert is exercised.

33. CASH AND CASH EQUIVALENTS

	Note	2013 ----- (Rupees in '000) -----	2012
Cash and balances with treasury banks	7	7,773,892	5,027,797
Balances with other banks	8	514,982	1,178,265
Overdrawn nostro account	16.2.4	(4,143)	(48,709)
		8,284,731	6,157,353

34. STAFF STRENGTH

		2013 ----- (Numbers) -----	2012
Permanent		1,303	1,062
Temporary / on contractual basis		42	34
Bank's own staff strength at the end of the year		1,345	1,096
Third party contract		737	619
		2,082	1,715

35. DEFINED BENEFIT PLAN

35.1 General description

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

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, employers. The trustees of the gratuity fund are responsible for the investment policy with regard to the assets of the fund.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

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

Salary increase risk:

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

Discount rate risk

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

Mortality / withdrawal risk:

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

Investment risk

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

Maturity profile

The weighted average duration of the defined benefit obligation works out to 7.42 years.

35.3 Number of employees under the schemes

The number of employees covered under defined benefit scheme is 1,303 (2012:1,062).

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, 2013 based on the Projected Unit Credit Method, using the following significant assumptions:

		2013	2012
Valuation discount rate	per annum	12.50%	11.50%
Expected return on plan assets	per annum	12.50%	11.50%
Future salary increase rate	per annum	12.50%	11.50%
Normal retirement age	years	60	60

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

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)	
	2013	2012 (Restated)	2013	2012 (Restated)	2013	2012 (Restated)
	----- (Rupees in '000) -----					
Balance as at January 01,	91,269	75,346	79,911	-	11,358	75,346
Effects of change in accounting policy (note 6.20)	-	(13,946)	-	-	-	(13,946)
Balance as at January 01, as restated	91,269	61,400	79,911	-	11,358	61,400
Included in profit or loss						
Current service cost	29,816	27,745	-	-	29,816	27,745
Interest cost	9,645	7,600	10,488	6,750	(843)	850
Curtailement gains	(14,407)	(4,405)	-	-	(14,407)	(4,405)
Effects of change in accounting policy (note 6.20)	-	-	-	2,625	-	(2,625)
	25,054	30,940	10,488	9,375	14,566	21,565
Included in other comprehensive income						
Actuarial gains / losses arising from:						
- demographic assumptions	(14,141)	(2,198)	-	-	(14,141)	(2,198)
- financial assumptions	520	407	(1,533)	2,175	2,053	(1,768)
- experience adjustments	14,361	1,924	3,941	(5,435)	10,420	7,359
	740	133	2,408	(3,260)	(1,668)	3,393
Others						
Contribution made during the year	-	-	22,967	75,000	(22,967)	(75,000)
Benefits paid during the year	(387)	(1,204)	(387)	(1,204)	-	-
	(387)	(1,204)	22,580	73,796	(22,967)	(75,000)
Balance as at December 31, 2013	116,676	91,269	115,387	79,911	1,289	11,358

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

	Fair value of plan assets			
	2013	2012	2013	2012
Note	----- (Rupees in '000) -----		Percentage	
Cash and cash equivalent	41,252	9,158	35.8%	11.5%
Government Securities (PIBs) 35.6.1	74,135	70,753	64.2%	88.5%
	115,387	79,911	100%	100%

35.6.1 The fair values of the above securities are determined based on quoted market prices in active markets. The actual return on plan assets was Rs. 10.488 million (2012: Rs.9.375 million).

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for the year ended December 31, 2013

35.7 Sensitivity analysis

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

	Current results		Sensitivity analysis		
	Discount Rate 12.5%	Salary Increase Rate 13.5%	Discount Rate 11.5%	Salary Increase Rate 12.5%	Discount Rate 12.5%
Present value of defined benefit obligation	116,676	105,176	129,988	130,437	104,613
Fair value of plan assets	(115,387)	(113,909)	(116,920)	(115,387)	(115,387)
Net liability / (assets)	<u>1,289</u>	<u>(8,733)</u>	<u>13,068</u>	<u>15,050</u>	<u>(10,774)</u>

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

35.8 The average duration of the benefit obligation at December 31, 2013 is with in one year.

35.9 The Bank expects to make a contribution of Rs. 1.289 million (2012: Rs. 22.967 million)to the defined benefit plans during the next financial year.

36. DEFINED CONTRIBUTION PLAN

The Bank operates a contributory provident fund scheme for all permanent employees. The employer and employee both contribute 10% of the basic salaries to the funded scheme every month. Number of employees covered under this plan are 1,087 (2012: 893). During the year, employees made a contribution of Rs.49.6 million (2012: Rs.41.8 million) to the fund. The Bank has also made a contribution of equal amount to the fund.

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37. COMPENSATION OF DIRECTORS AND EXECUTIVES

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

	Note	2013			
		President & Chief Executive officer	Directors	Executives	Total
----- (Rupees in '000) -----					
Managerial remuneration		7,484	-	337,162	344,646
Defined contribution plan		148	-	29,790	29,938
Charge for defined benefit plan		124	-	25,444	25,568
Rent and house maintenance		3,368	-	151,723	155,091
Utilities		748	-	33,716	34,464
Medical		-	-	4,942	4,942
Conveyance and vehicle maintenance		-	-	64,728	64,728
Performance bonus		4,000	-	91,490	95,490
Non-executive directors' fee, allowances and other expenses		-	830	-	830
		<u>15,872</u>	<u>830</u>	<u>738,995</u>	<u>755,697</u>
Number of persons	37.2	<u>1</u>	<u>7</u>	<u>299</u>	<u>307</u>
----- (Rupees in '000) -----					
2012					
		President & Chief Executive officer	Directors	Executives	Total
----- (Rupees in '000) -----					
Managerial remuneration		9,871	347	270,782	281,000
Defined contribution plan		-	-	27,477	27,477
Charge for defined benefit plan		-	-	20,558	20,558
Rent and house maintenance		4,442	156	121,852	126,450
Utilities		987	35	27,078	28,100
Medical		48	-	4,033	4,081
Conveyance and vehicle maintenance		-	-	49,608	49,608
Performance bonus		4,000	-	91,640	95,640
Non-executive directors' fee, allowances and other expenses		-	913	-	913
		<u>19,348</u>	<u>1,451</u>	<u>613,028</u>	<u>633,827</u>
Number of persons		<u>1</u>	<u>7</u>	<u>246</u>	<u>254</u>

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

37.2 The remuneration of the President includes the remuneration of the outgoing President. The new President was appointed with effect from July 03, 2013.

38. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The repricing profile, effective rates and maturity are stated in note 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.

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

39. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	2013						Total
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Payment and settlement	others	
----- (Rupees in '000) -----							
Total income - external	66,299	5,326,585	1,094,391	1,833,575	167,053	39,877	8,527,780
Inter-segment revenues - net	-	(3,424,538)	3,669,938	(245,400)	-	-	-
Total income	66,299	1,902,047	4,764,329	1,588,175	167,053	39,877	8,527,780
Total expenses	(4,205)	(920,453)	(4,866,907)	(1,498,614)	(49,861)	(223,254)	(7,563,294)
Provisions	-	(23,156)	(17,169)	(412,763)	-	(10,027)	(463,115)
Current taxation	-	-	-	-	-	-	(126,317)
Deferred tax	-	-	-	-	-	-	(23,771)
Net income / (loss)	62,094	958,438	(119,747)	(323,202)	117,192	(193,404)	351,283
Segment assets (gross)	-	64,483,866	13,572,509	21,557,671	-	14,788,611	114,402,657
Segment non performing loans	-	371,451	102,892	2,655,486	-	-	3,129,829
Segment provision required	-	(231,500)	(44,861)	(1,356,324)	-	-	(1,632,685)
Segment liabilities	-	18,174,746	62,154,592	20,737,631	1,414,793	1,354,317	103,836,079
Segment return on net assets (ROA) (%)	-	9.2	11.7	11.2	-	-	-
Segment cost of funds (%)	-	8.3	5.4	8.1	-	-	-

	2012						Total
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Payment and settlement	others	
----- (Rupees in '000) -----							
Total income - external	51,373	4,765,808	506,036	2,326,424	161,326	18,389	7,829,356
Inter-segment revenues - net	-	(2,859,898)	3,646,299	(786,401)	-	-	-
Total income	51,373	1,905,910	4,152,335	1,540,023	161,326	18,389	7,829,356
Total expenses	(4,776)	(544,572)	(4,255,557)	(1,232,177)	(34,858)	(235,437)	(6,307,377)
Provisions	-	(52,424)	(2,902)	(454,602)	-	(32,509)	(542,437)
Current taxation	-	-	-	-	-	-	125
Deferred tax	-	-	-	-	-	-	(270,434)
Net income / (loss)	46,597	1,308,914	(106,124)	(146,756)	126,468	(249,557)	709,233
Segment assets (gross)	-	46,834,439	3,270,146	17,399,445	-	15,245,562	82,749,592
Segment non performing loans	-	328,231	50,589	2,986,676	-	-	3,365,496
Segment provision required	-	(208,344)	(31,805)	(939,448)	-	-	(1,179,597)
Segment liabilities	-	7,543,175	48,295,992	14,677,176	713,747	1,372,487	72,602,577
Segment return on net assets (ROA) (%)	-	10.73	12.68	13.02	-	-	-
Segment cost of funds (%)	-	9.28	5.87	9.53	-	-	-

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40. RELATED PARTY TRANSACTIONS

The Bank has related party relationship with its associates, parent, subsidiaries, companies having common directors, companies in which parent holds more than 20% shares, employee benefit plans, and its key management personnel (including their associates). The details of investments in subsidiaries and associates are stated in note 10.2.11 to these unconsolidated financial statements.

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

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

	Key management personnel		Subsidiary companies		Othe related parties		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
----- (Rupees in '000) -----								
Advances								
Opening balance	93,552	39,651	156,193	-	1,378,039	2,975,684	1,627,784	3,015,335
Disbursements	107,070	67,600	764,469	391,434	3,388,554	7,356,245	4,260,093	7,815,279
Repayments	(31,093)	(13,699)	(920,662)	(235,241)	(3,233,372)	(8,953,890)	(4,185,127)	(9,202,830)
Balance as at December 31	169,529	93,552	-	156,193	1,533,221	1,378,039	1,702,750	1,627,784
Mark-up / return / interest earned	9,268	3,050	14,797	1,519	119,183	440,115	143,248	444,684

	Parent		Key management personnel		Subsidiary companies		Othe related parties		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
----- (Rupees in '000) -----										
Deposits										
Opening balance	2,002,829	560,818	16,731	10,994	621,493	1,316,216	4,387,067	1,732,593	7,028,120	3,620,621
Deposits during the year	8,779,869	8,747,957	492,958	270,304	266,493,066	247,805,896	59,790,860	40,912,613	335,556,753	297,736,771
Withdrawals during the year	(9,225,428)	(7,305,946)	(486,677)	(264,567)	(266,253,708)	(248,500,619)	(58,222,580)	(38,258,139)	(334,188,393)	(294,329,272)
Balance as at December 31	1,557,270	2,002,829	23,012	16,731	860,851	621,493	5,955,347	4,387,067	8,396,480	7,028,120
Mark-up / return / interest expensed	128,915	53,682	1,252	375	54,234	43,290	328,914	275,440	513,314	372,787

The related party status of outstanding receivables and payables as at December 31, 2013 is included in respective notes to the financial statements. Material transactions with related parties are given below:

Notes to the Unconsolidated Financial Statements for the year ended December 31, 2013

The related party status of outstanding receivables and payables as at December 31, 2013 is included in respective notes to the financial statements. Material transactions with related parties are given below:

	Subsidiary companies		Companies having common directorship		Companies in which parent company holds 20% or more		Other related parties		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
----- (Rupees in '000) -----										
Nature of transactions										
Sale of Term Finance Certificates	2,980	251,877	-	-	-	-	-	-	2,980	251,877
Purchase of Term Finance Certificates	-	331,201	-	-	-	-	-	16,347	-	347,548
Sale of Government Securities	10,100,831	24,457,189	358,073	1,919,854	101,496,606	44,655,877	1,468,219	2,889,665	113,423,729	73,922,585
Purchase of Government Securities	9,223,733	24,044,578	-	502,334	16,444,151	8,830,538	7,976	69,291	25,675,860	33,446,741
Purchase of Sukuk	102	4,563,507	-	-	-	4,252,287	-	-	102	8,815,794
Sale of Sukuk	101	3,573,996	-	-	113,667	1,687,478	-	-	113,768	5,261,474
Sale of shares / Units	-	-	-	-	-	-	48,394	1,453,300	48,394	1,453,300
Purchase of shares / Units	-	-	-	-	-	-	100,000	1,154,675	100,000	1,154,675
Subscription in shares	-	-	-	-	-	-	-	-	-	-
Call lending / Reverse Repo	6,163,468	5,867,623	-	-	-	-	-	-	6,163,468	5,867,623
Call borrowing / Repo	-	-	-	-	16,650,000	5,550,000	-	-	16,650,000	5,550,000
Purchase of forward foreign exchange contracts	-	-	-	-	6,442,565	8,306,908	-	-	6,442,565	8,306,908
Sale of forward foreign exchange contracts	-	-	-	-	9,360,124	10,160,117	-	-	9,360,124	10,160,117
Letter of guarantees	-	400,000	516	-	-	-	5,097	30,295	5,613	430,295
Nature of transactions										
Payment to staff benefit plan	-	-	-	-	-	-	22,967	75,000	22,967	75,000
Payment to staff contribution plan	-	-	-	-	-	-	49,550	41,810	49,550	41,810
Remuneration of key management persone	-	-	-	-	-	-	172,530	-	172,530	-
Director fees and allowances	-	-	-	-	-	-	830	913	830	913
Insurance claim received	-	-	5,050	20,323	-	-	-	-	5,050	20,323
Payment of insurance premium	-	-	44,998	37,132	11,004	-	-	-	56,002	37,132
Markup income	4,681	-	-	-	-	-	-	79,585	4,681	79,585
Markup expense	-	-	5,478	-	-	-	-	-	5,478	-
Rent received / receivable	2,154	1,125	-	-	-	869	-	-	2,154	1,994
Reimbursement of expenses	396	1,101	-	-	-	1,090	-	-	396	2,191
Expenses incurred on behalf	2,395	-	-	-	-	-	-	-	2,395	-
Services rendered	1,512	125	-	-	-	-	16	-	1,528	125
Rent expense paid / accrued	1,291	-	-	-	-	-	-	-	1,291	-
Commission paid / accrued	7,856	9,025	-	-	-	-	-	-	7,856	9,025
Commission income	72	3,200	103,830	92,087	1,829	2,262	640	267	106,371	97,816
Dividend income	270,388	89,338	-	-	-	-	22,739	8,746	293,127	98,084
Consultancy fee	-	-	-	-	-	-	18,000	8,000	18,000	8,000
Nature of transactions										
Sale of Government Securities	2,484,725	728,550								
Rent expense paid / accrued	1,065	1,023								
Reimbursement of expenses	3,461	903								
Underwriting commission in preference shares	5,546	-								

Notes to the Unconsolidated Financial Statements

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41. CAPITAL ASSESSMENT AND ADEQUACY

41.1 Scope of Application

SBP Capital Adequacy Frameworks (Basel II & III) are applicable to JS Bank Limited on stand alone basis as well as on Consolidated basis by consolidating its partly owned subsidiaries - JS Global Capital Limited & JS Investments Limited.

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

41.3 Capital Adequacy

Capital Management

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

Statutory minimum capital requirement and management of capital

The State Bank of Pakistan (SBP) through its BSD Circular no. 7 dated April 15, 2009 prescribed that the minimum paid up capital (net of losses) for Banks / Development Finance Institutions (DFIs) needed to be raised to Rs.10 billion by the year ending December 31, 2013. The raise was to be achieved in a phased manner requiring Rs.10 billion paid-up capital (free of losses) by the end of the financial year 2013. The paid-up capital (free of losses) of the Bank as at December 31, 2013 stood at Rs. 8.619 billion. To meet the shortfall, the Bank, subsequent to the year end on February 19, 2014, has issued 150 million un-listed, convertible, irredeemable, perpetual, non-cumulative, non-voting preference shares of Rs. 10 each which qualified for Additional Tier I Capital under Basel III requirement to meet the shortfall in the Minimum Capital Requirement (MCR). As a result of this transaction, the paid up capital of the Bank has increased by Rs. 1.5 billion.

In the meantime, the SBP granted extension to the Bank from complying with the requirements of MCR for December 31, 2013 till February 28, 2014.

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Basel III transition

The Basel III instructions issued by SBP will be adopted in a phased manner starting from the current year 2013, with full implementation of capital ratios by the year-end 2019, Banks will be required to maintain the following ratios on an ongoing basis:

- i. Common Equity Tier 1 of at least 6.0% of the total RWA.
- ii. Tier-1 capital will be at least 7.5% of the total RWA which means that Additional Tier 1 capital can be admitted maximum up to 1.5% of the total RWA.
- iii. Minimum Capital Adequacy Ratio (CAR) of 10% of the total RWA i.e. Tier 2 capital can be admitted maximum up to 2.5% of the total RWA.
- iv. Additionally, Capital Conservation Buffer (CCB) of 2.5% of the total RWA is being introduced which will be maintained in the form of CET1.
- v. The excess additional Tier 1 capital and Tier-2 capital can only be recognized if the bank has CET1 ratio in excess of the minimum requirement of 8.5% (i.e. 6.0% plus capital conservation buffer of 2.5%).
- vi. For the purpose of calculating Tier 1 capital and CAR, the bank can recognize excess Additional Tier 1 and Tier 2 provided the bank has excess CET1 over and above 8.5%. Further, any excess Additional Tier 1 and Tier 2 capital will be recognized in the same proportion as stipulated above i.e. the recognition of excess Additional Tier 1 (above 1.5%) is limited to the extent of 25% (1.5/6.0) of the CET1 in excess of 8.5% requirement. Similarly, the excess Tier 2 capital (above 2.5%) shall be recognized to the extent of 41.67% (2.5/6.0) of the CET1 in excess of 8.5% requirement.

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

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

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41.4 Capital Adequacy Ratio (CAR) disclosure:

	2013		2012
	Amount	Amounts subject to Pre - Basel III treatment	Amount
	----- (Rupees in '000) -----		
Common Equity Tier 1 capital (CET1): Instruments and reserves			
Fully Paid-up Capital/ Capital deposited with SBP	8,619,242	-	8,619,242
Balance in Share Premium Account	-	-	-
Reserve for issue of Bonus Shares	-	-	-
General/ Statutory Reserves	301,699	-	231,442
Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-	-
Unappropriated/unremitted profits/ (losses)	218,098	-	(64,597)
Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-	-
CET 1 before Regulatory Adjustments	9,139,039	-	8,786,087
Common Equity Tier 1 capital: Regulatory adjustments			
Goodwill (net of related deferred tax liability)	1,463,624	-	1,463,624
All other intangibles (net of any associated deferred tax liability)	216,393	-	146,213
Shortfall of provisions against classified assets	-	-	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	848,490	-
Defined-benefit pension fund net assets	-	-	-
Reciprocal cross holdings in CET1 capital instruments	-	-	-
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	315,610	-	-
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)	-	-	-
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)	-	1,289,629	-
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	-
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	1,916,132	-	1,792,394
Total regulatory adjustments applied to CET1 (sum of 9 to 25)	3,911,759	2,138,119	3,402,231
Common Equity Tier 1	5,227,280		5,383,856
	(a)		
Additional Tier 1 (AT 1) Capital			
Qualifying Additional Tier-1 instruments plus any related share premium	-	-	-
of which: Classified as equity	-	-	-
of which: Classified as liabilities	-	-	-
Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	-	-
of which: instrument issued by subsidiaries subject to phase out	-	-	-

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	2013		2012
	Amount	Amounts subject to Pre - Basel III treatment (Rupees in '000)	Amount
AT1 before regulatory adjustments			
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)	-	-	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-
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	959,561	-	959,561
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	956,571	-	832,833
Total of Regulatory Adjustment applied to AT1 capital	1,916,132		1,792,394
Additional Tier 1 capital	-		-
Additional Tier 1 capital recognized for capital adequacy (b)	-		-
Tier 1 Capital (CET1 + admissible AT1) (c=a+b)	5,227,280		5,383,856
Tier 2 Capital			
Qualifying Tier 2 capital instruments under Basel III	-	-	-
Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	-	-
Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	-	-
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	2,990	-	1,191
Revaluation Reserves	-	-	-
of which: Revaluation reserves on Property	-	-	-
of which: Unrealized Gains/Losses on AFS	-	-	125,537
Foreign Exchange Translation Reserves	-	-	-
Undisclosed/Other Reserves (if any)	-	-	-
T2 before regulatory adjustments	2,990		126,728
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	959,561	-	959,561
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)	-	-	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-
Amount of Regulatory Adjustment applied to T2 capital	2,990	-	126,728
Tier 2 capital (T2)	-	-	-
Tier 2 capital recognized for capital adequacy	-	-	-
Excess Additional Tier 1 capital recognized in Tier 2 capital	-	-	-
Total Tier 2 capital admissible for capital adequacy (d)	-		-
TOTAL CAPITAL (T1 + admissible T2) (e=c+d)	5,227,280		5,383,856

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

		2013		2012
		Amount	Amounts subject to Pre - Basel III treatment	Amount
		----- (Rupees in '000) -----		
Total Risk Weighted Assets	(i=f+g+h)	43,574,877		32,646,169
Total Credit Risk Weighted Assets	(f)	35,906,542		27,921,639
Risk weighted assets in respect of amounts subject to Pre-Basel III Treatment		-		-
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		-		-
of which: deferred tax assets		848,490		-
of which: Defined-benefit pension fund net assets		-		-
of which: [insert name of adjustment]		-		-
Total Market Risk Weighted Assets	(g)	1,730,785		268,213
Total Operational Risk Weighted Assets	(h)	5,937,550		4,456,317
Capital Ratios and buffers (in percentage of risk weighted assets)				
CET1 to total RWA	(a/i)	12.00%		16.49%
Tier-1 capital to total RWA	(c/i)	12.00%		16.49%
Total capital to RWA	(e/i)	12.00%		16.49%
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)		10.00%		
of which: capital conservation buffer requirement		0.00%		
of which: countercyclical buffer requirement		-		
of which: D-SIB or G-SIB buffer requirement		-		
CET1 available to meet buffers (as a percentage of risk weighted assets)		12.00%		
National minimum capital requirements prescribed by SBP				
CET1 minimum ratio		5.00%		
Tier 1 minimum ratio		6.50%		
Total capital minimum ratio		10.00%		
Amounts below the thresholds for deduction (before risk weighting)				
Non-significant investments in the capital of other financial entities		570,591		
Significant investments in the common stock of financial entities		629,492		
Deferred tax assets arising from temporary differences (net of related tax liability)		-		
Applicable caps on the inclusion of provisions in Tier 2				
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)		-		
Cap on inclusion of provisions in Tier 2 under standardized approach		-		
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)		-		
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach		-		

Notes to the Unconsolidated Financial Statements

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41.5

Risk-Weighted Exposures

Credit Risk

Balance Sheet Items:-

	2013	
	Book Value	Risk Adjusted Value
	(Rupees in '000)	
Cash and other liquid Assets	7,773,892	167,640
Balances with other banks	514,982	173,818
Investments	42,679,316	3,710,871
Loans and Advances	55,348,306	25,929,880
Fixed Assets	3,627,512	1,947,495
Other Assets	2,825,964	1,293,075
	<u>112,769,972</u>	<u>33,222,779</u>
Off Balance Sheet items		
Loan Repayment Guarantees	593,756	120,094
Purchase and Resale Agreements	16,363,670	1,909,744
Performance Bonds etc	-	-
Revolving underwriting Commitments	-	-
Stand By Letters of Credit	4,213,928	546,862
Outstanding Foreign Exchange Contracts	-	-
-Purchase	7,530,575	41,947
-Sale	7,027,434	65,116
	<u>35,729,363</u>	<u>2,683,763</u>
Credit risk-weighted exposures		<u>35,906,542</u>
Market Risk		
General market risk		1,025,575
Specific market Risk		705,210
Market risk-weighted exposures		<u>1,730,785</u>
Operational Risk		<u>5,937,550</u>
Total Risk-Weighted Exposures		<u>43,574,877</u>

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

41.6 Capital Structure Reconciliation

Step : 1

	December 31, 2013	
	As Per Balance Sheet	Under regulatory scope of consolidation
	----- (Rupees in '000) -----	
Assets		
Cash and balances with treasury banks	7,773,892	7,773,892
Balances with other banks	514,982	514,982
Lending to financial institutions	21,585,799	21,585,799
Investments	42,679,316	42,679,316
Advances	33,762,507	33,762,507
Operating fixed assets	3,627,512	3,627,512
Deferred tax assets	883,605	883,605
Other assets	1,942,359	1,942,359
Total Assets	112,769,972	112,769,972
Liabilities & Equity		
Bills payable	1,414,793	1,414,793
Borrowings	20,150,846	20,150,846
Deposits and other accounts	80,916,125	80,916,125
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	1,354,315	1,354,315
Total Liabilities	103,836,079	103,836,079
Share capital/ Head office capital account	8,619,242	8,619,242
Reserves	301,699	301,699
Unappropriated/ Unremitted profit/ (losses)	218,098	218,098
Minority Interest	-	-
Surplus on revaluation of assets	(205,146)	(205,146)
Total Equity	8,933,893	8,933,893
Total Liabilities & Equity	112,769,972	112,769,972

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

Step : 2

Assets

December 31, 2013			
As Per	Under regulatory		Reference
Balance Sheet	scope of	consolidation	Reference
----- (Rupees in '000) -----			
Cash and balances with treasury banks	7,773,892	7,773,892	
Balances with other banks	514,982	514,982	
Lending to financial institutions	21,585,799	21,585,799	
Investments	42,679,316	42,679,316	
of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold		-	a
of which: significant capital investments in financial sector entities exceeding regulatory threshold		-	b
of which: Mutual Funds exceeding regulatory threshold		-	c
of which: reciprocal crossholding of capital instrument		-	d
of which: others (mention details)		-	e
Advances	33,762,507	33,762,507	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB		-	f
general provisions reflected in Tier 2 capital		2,990	g
Fixed Assets	3,627,512	3,627,512	
Deferred Tax Assets	883,605	883,605	
of which: DTAs excluding those arising from temporary differences		-	h
of which: DTAs arising from temporary differences exceeding regulatory threshold		-	i
Other assets	1,942,359	1,942,359	
of which: Goodwill		1,463,624	j
of which: Intangibles		216,393	k
of which: Defined-benefit pension fund net assets		-	l
Total Assets	112,769,972	112,769,972	

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

Liabilities & Equity

	December 31, 2013		Reference
	As Per Balance Sheet	Under regulatory scope of consolidation	
----- (Rupees in '000) -----			
Bills payable	1,414,793	1,414,793	
Borrowings	20,150,846	20,150,846	
Deposits and other accounts	80,916,125	80,916,125	
Sub-ordinated loans	-	-	
of which: eligible for inclusion in AT1		-	m
of which: eligible for inclusion in Tier 2		-	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	-	-	
of which: DTLs related to goodwill		-	o
of which: DTLs related to intangible assets		-	p
of which: DTLs related to defined pension fund net assets		-	q
of which: other deferred tax liabilities		-	r
Other liabilities	1,354,315	1,354,315	
Total Liabilities	103,836,079	103,836,079	
Share capital	8,619,242	8,619,242	
of which: amount eligible for CET1		8,619,242	s
of which: amount eligible for AT1		-	t
Reserves	301,699	301,699	
of which: portion eligible for inclusion in CET1 (provide breakup)		301,699	u
of which: portion eligible for inclusion in Tier 2		-	v
Unappropriated profit/ (losses)	218,098	218,098	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	(205,146)	(205,146)	
of which: Revaluation reserves on Property		-	aa
of which: Unrealized Gains/Losses on AFS		-	
In case of Deficit on revaluation (deduction from CET1)		(315,610)	ab
Total Liabilities & Equity	112,769,972	112,769,972	

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

Common Equity Tier 1 capital (CET1): Instruments and reserves

Fully Paid-up Capital/ Capital deposited with SBP	8,619,242	(s)
Balance in Share Premium Account	-	
Reserve for issue of Bonus Shares	-	
General/ Statutory Reserves	301,699	(u)
Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
Unappropriated/unremitted profits/(losses)	218,098	(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)

Component of regulatory capital reported by bank Reference

-- (Rupees in '000) ---

CET 1 before Regulatory Adjustments

Common Equity Tier 1 capital: Regulatory adjustments	9,139,039	
Goodwill (net of related deferred tax liability)	1,463,624	(j) - (o)
All other intangibles (net of any associated deferred tax liability)	216,393	(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	315,610	(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	1,916,131	

Total regulatory adjustments applied to CET1 (sum of 9 to 25)

Common Equity Tier 1

3,911,758

5,227,281

Notes to the Unconsolidated Financial Statements

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	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	-	
of which: Classified as equity	-	(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	-	
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	959,561	
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	956,571	
Total of Regulatory Adjustment applied to AT1 capital	-	
Additional Tier 1 capital	-	
Additional Tier 1 capital recognized for capital adequacy	-	
Tier 1 Capital (CET1 + admissible AT1)	5,227,280	
Tier 2 Capital		
Qualifying Tier 2 capital instruments under Basel III	-	(n)
Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	
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	2,990	(g)
Revaluation Reserves eligible for Tier 2	-	
of which: portion pertaining to Property	-	portion of (aa)
of which: portion pertaining to AFS securities	-	
Foreign Exchange Translation Reserves	-	(v)
Undisclosed/Other Reserves (if any)	-	
T2 before regulatory adjustments	2,990	

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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)

Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation

Amount of Regulatory Adjustment applied to T2 capital

Tier 2 capital (T2)

Tier 2 capital recognized for capital adequacy

Excess Additional Tier 1 capital recognized in Tier 2 capital

Total Tier 2 capital admissible for capital adequacy

TOTAL CAPITAL (T1 + admissible T2)

Component of regulatory capital reported by bank	Reference
-- (Rupees in '000) ---	
959,561	
-	
-	
-	(ae)
-	(af)
2,990	
-	
-	
-	
5,227,280	

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

41.7 Main Features of Regulatory Capital Instruments

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

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

41.8 Capital Adequacy

Credit Risk

On balance sheet

	Capital Requirements		Risk Weighted Assets	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Corporate	2,141,952	1,592,054	21,419,518	15,920,537
Retail	198,410	85,878	1,984,096	858,781
Banks and DFIs	291,064	141,053	2,910,641	1,410,531
Public sector entity	16,764	9,998	167,640	99,984
Sovereign (include GoP and SBP)	-	-	-	-
Residential mortgage finance	25,824	17,937	258,241	179,371
Past due loans	154,394	264,123	1,543,943	2,641,229
Fixed assets	194,750	155,528	1,947,495	1,555,280
Other assets	129,308	91,130	1,293,075	911,297
	3,152,466	2,357,701	31,524,649	23,577,010

Off balance sheet

Non market related	257,670	239,825	2,576,700	2,398,247
Market related	10,706	1,288	107,063	12,884
	268,376	241,113	2,683,763	2,411,131

Equity Exposure Risk in the Banking Book

	169,813	193,350	1,698,130	1,933,498
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Total Credit Risk

	3,590,655	2,792,164	35,906,542	27,921,639
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Market Risk

Interest rate risk	41,909	18,511	523,868	231,388
Equity position risk etc.	80,273	-	1,003,415	-
Foreign exchange risk	16,280	2,946	203,502	36,825

Operational Risk

Capital Requirement for operational risks	475,004	356,505	5,937,550	4,456,317
TOTAL	4,204,121	3,170,126	43,574,877	32,646,169

Capital Adequacy Ratio

Total eligible regulatory capital held	(e)	5,227,280	5,383,856
Total Risk Weighted Assets	(i)	43,574,877	32,646,169
Capital Adequacy Ratio	(e) / (i)	12.00%	16.49%

Notes to the Unconsolidated Financial Statements

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42. RISK MANAGEMENT

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

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

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

Risk management framework of Bank includes:

- a) Clearly defined risk management policies and procedures covering risk identification, acceptance, measurement, monitoring, reporting and control;
- b) Well constituted organizational structure, defining clearly roles and responsibilities of individuals involved in risk taking as well as managing it. The bank, in addition to risk management functions for various risk categories, has instituted an Integrated Risk Management Committee (IRMC) as well as Central Credit Committee (CCC). IRMC oversees the overall risk management at the bank and provide guidance in setting strategic targets as well as concentration limits and monitor progress related to earnings growth, keeping in view the capital constraints and also adhere to the concentration limits. The IRMC sets the strategic target and aggregate limits at the Business Group level and concentration limits (by industry, geography, size, tenor) so that one category of assets or dimension of risk cannot materially harm the performance of the Bank. 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 of Directors (BoD), Risk Management Sub-Committee;
- Integrated Risk Management Committee (IRMC) which comprises of the President / Chief Executive Officer (CEO), Chief Operating Officer (COO), Group Head Risk Management, Business Heads, and Other Functional Heads.
- Asset - Liability Committee which comprises of the President / Chief Executive Officer (CEO), Chief Operating Officer (COO), Treasurer, Group Head Risk Management, Other Business Heads.
- Central Credit Committee comprising of the President / CEO, Group Head Risk Management, Other Business Heads.
- Risk Management Group (RMG) which comprises of Risk Managers for Credit, Market and Operational Risks and Treasury Middle Office.

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

- a) Credit Risk Management (CRM) covering Corporate / Commercial and Retail Banking Risks as well as consumer Risks
- b) Operational Risk Management
- c) Market Risk Management (MRM)
- d) Treasury Middle Office
- e) Financial Institution Risk Management Unit (also responsible for Cross-border Risk Management)
- f) Basel II / III Implementation Unit

Notes to the Unconsolidated Financial Statements

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

Risk Matrix / Categories

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

Risk Appetite

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

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

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

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

42.1 Credit Risk

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

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

42.1.1 Segmental Information

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

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42.1.1.1 Segment by class of business

	2013					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent %	Rupees in '000	Percent %	Rupees in '000	Percent %
Mining and quarrying	56,922	0.16	126,619	0.16	7,621	0.03
Textile and Glass	7,002,166	19.91	536,390	0.66	2,090,968	8.96
Chemical and pharmaceuticals	840,200	2.39	642,051	0.79	1,077,791	4.62
Fertilizer and pesticides	1,449,468	4.12	301,686	0.37	451,012	1.93
Automobile and transportation equipment	763,255	2.17	760,437	0.94	91,792	0.39
Tyre, Rubber and Plastic	-	-	-	-	424,741	1.82
Electronics and electrical appliances	247,275	0.70	60,460	0.07	154,624	0.66
Construction and real estate	117,018	0.33	2,728,633	3.37	769,683	3.30
Power and water, Oil and Gas	200,005	0.57	2,499,109	3.09	1,231,764	5.28
Metal and steel	681,492	1.94	-	-	319,364	1.37
Paper / board / furniture	471,934	1.34	78,663	0.10	178,401	0.76
Food / confectionery / beverages	10,487,851	29.84	158,562	0.20	416,321	1.78
Trust and non-profit organisations	-	-	14,149,525	17.49	12,093	0.05
Sole proprietorships	356,195	1.01	30,367,305	37.53	12,609	0.05
Transport, storage and communication	986,718	2.81	2,653,851	3.28	483,099	2.07
Financial	1,066,039	3.03	6,703,477	8.28	15,009,280	64.38
Insurance and Security	-	-	2,466,575	3.05	13,140	0.06
Engineering, IT and other services	2,006,264	5.71	1,588,687	1.96	197,778	0.85
Sugar	1,421,329	4.04	45,007	0.06	15,210	0.07
Individuals	3,261,249	9.27	11,539,094	14.26	84,035	0.36
Others	3,748,312	10.67	3,509,994	4.34	282,446	1.21
	35,163,692	100	80,916,125	100	23,323,772	100

	2012					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent %	Rupees in '000	Percent %	Rupees in '000	Percent %
Mining and quarrying	24,016	0.11	54,103	0.09	191	-
Textile	5,011,079	23.83	227,554	0.36	856,368	6.45
Chemical and pharmaceuticals	880,364	4.19	984,644	1.57	94,635	0.71
Fertilizer	1,455,725	6.92	-	-	612,000	4.61
Automobile and transportation equipment	99,458	0.47	-	-	12,440	0.09
Electronics and electrical appliances	323,704	1.54	201,081	0.32	108,697	0.82
Construction	47,497	0.23	576,207	0.92	541,957	4.08
Power, gas, water and sanitary	-	-	45,679	0.07	300,024	2.26
Paper / board / furniture	93,559	0.44	-	-	161,702	1.22
Petroleum / oil and gas	17,901	0.09	2,636	-	333,823	2.52
Food / confectionery / beverages	1,599,971	7.61	49,455	0.08	3,697,411	27.86
Trust and non-profit organisations	103,964	0.49	7,591,978	12.14	17,609	0.13
Sole proprietorships	123,891	0.59	25,650,554	41.03	-	-
Transport, storage and communication	773,256	3.68	668,918	1.07	71,346	0.54
Financial	1,357,909	6.46	6,643,742	10.62	5,224,901	39.38
Insurance	50,000	0.24	261,142	0.42	867	0.01
Services	2,027,202	9.64	750,981	1.20	108,000	0.81
Cement	-	-	1,224	-	-	-
Sugar	1,355,476	6.45	59,542	0.10	208,921	1.57
Individuals	2,653,669	12.62	10,778,218	17.25	92,902	0.70
Others	3,027,533	14.40	7,996,135	12.78	828,594	6.25
	21,026,174	100	62,543,793	100	13,272,388	100

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42.1.1.2 Segment by sector

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

	2012					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent %	Rupees in '000	Percent %	Rupees in '000	Percent %
Public / Government	-	-	5,070,401	8.11	1,960,794	14.77
Private	21,026,174	100.00	57,473,392	91.89	11,311,594	85.23
	<u>21,026,174</u>	<u>100</u>	<u>62,543,793</u>	<u>100</u>	<u>13,272,388</u>	<u>100</u>

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

	2013		2012	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	----- (Rupees in '000) -----			
Textile	671,119	533,381	691,011	318,859
Automobile and transportation equipment	109,773	100,621	134,686	104,101
Chemical and pharmaceutical	-	-	1,536,009	222,362
Food / confectionery / beverages	122,807	89,469	167,144	102,991
Financial	-	-	185,575	155,163
Paper / board / furniture	22,000	9,713	-	-
Fertilizer and pesticides	1,034,879	262,491	-	-
Services	185,575	155,163	-	-
Individuals	257,373	10,724	261,224	11,682
Other	354,851	236,633	61,615	54,904
	<u>2,758,377</u>	<u>1,398,195</u>	<u>3,037,264</u>	<u>970,062</u>

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

Public / Government	-	-	-	-
Private	2,758,377	1,398,195	3,037,264	970,062
	<u>2,758,377</u>	<u>1,398,195</u>	<u>3,037,264</u>	<u>970,062</u>

42.1.1.5 Geographical segment analysis

	2013		2012	
	Total asset employed	Net asset employed	Total asset employed	Net asset employed
	----- (Rupees in '000) -----			
Pakistan	112,769,972	8,933,893	81,569,995	8,967,419

	2013		2012	
	Profit before taxation	Contingencies and commitments	Profit before taxation (restated)	Contingencies and commitments
	----- (Rupees in '000) -----			
Pakistan	501,371	23,323,772	979,542	13,272,388

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42.1.2 Credit risk: Standardised approach

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

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

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

The 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:

Long - Term Ratings Grades Mapping

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

Short - Term Ratings Grades Mapping

SBP	PACRA	JCR-VIS	FITCH	MOODY'S	S&P
S1	A-1	A-1	F1	P-1	A-1+,A-1
S2	A-2	A-2	F2	P-2	A-2
S3	A-3	A-3	F3	P-3	A-3
S4	Others	Others	Others	Others	Others

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Credit exposures subject to Standardised approach

Exposures	Rating category	Rating risk weight	2013			Risk weighted asset
			Amount outstanding	Deduction CRM	Net amount	
----- (Rupees in '000) -----						
Cash and Cash Equivalents		0%	1,899,496	-	1,899,496	-
Corporate		0%	-	7,059,298	7,059,298	-
	1	20%	1,316,825	10,950	1,327,775	265,555
	2	50%	487,243	-	487,243	243,621
	3,4	100%	962,794	-	962,794	962,794
	5,6	150%	944,390	-	944,390	1,416,585
	Unrated	100%	25,601,211	(7,070,248)	18,530,963	18,530,963
			29,312,463	-	29,312,463	21,419,518
Retail		0%	-	789,291	789,291	-
		20%	-	8,998	8,998	1,800
		50%	-	-	-	-
		75%	3,441,351	(798,289)	2,643,062	1,982,296
			3,441,351	-	3,441,351	1,984,096
Banks						
- Maturity over 3 Months		0%	-	2,279,667	2,279,667	-
	1	20%	690,039	-	690,039	138,008
	2,3	50%	4,680,661	(2,279,667)	2,400,994	1,200,497
	4,5	100%	199,800	-	199,800	199,800
	6	150%	-	-	-	-
	Unrated	50%	195,146	-	195,146	97,573
			5,765,646	-	5,765,646	1,635,878
- Maturity Upto and under 3 Months in FCY		0%	-	-	-	-
	1,2,3	20%	684,653	-	684,653	136,931
	4,5	50%	-	-	-	-
	6	150%	54,478	-	54,478	81,717
	unrated	20%	157,229	-	157,229	31,446
			896,360	-	896,360	250,094
- Maturity upto and under 3 months in PKR		0%	-	10,390,823	10,390,823	-
		20%	15,514,168	(10,390,823)	5,123,345	1,024,669
			15,514,168	-	15,514,168	1,024,669
Residential Mortgage Finance		35%	737,832	-	737,832	258,241
Public Sector Entity						
	1	0%	838,201	-	838,201	167,640
	2,3	20%	-	-	-	-
	4,5	50%	-	-	-	-
	6	100%	-	-	-	-
	Unrated	150%	-	-	-	-
		50%	838,201	-	838,201	167,640
Sovereigns (SBP / GoP)		0%	18,502,067	-	18,502,067	-
Equity Investments - Listed		100%	1,557,521	-	1,557,521	1,557,521
- Unlisted		150%	93,740	-	93,740	140,609
			1,651,261	-	1,651,261	1,698,130
Past Due Loans (Not Secured by Residential Mortgages)	S.P less than 20%	150%	629,934	-	629,934	944,901
	S.P upto 20%	100%	467,878	-	467,878	467,878
	S.P greater than 50%	50%	262,329	-	262,329	131,164
			1,360,141	-	1,360,141	1,543,943
Investment in fixed assets		100%	1,947,495	-	1,947,495	1,947,495
Other assets		100%	1,293,075	-	1,293,075	1,293,075
Total			83,159,556	-	83,159,556	33,222,779

* Credit Risk Mitigation (CRM)

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Credit exposures subject to Standardised approach

Exposures	Rating category	Rating risk weight	2012			Risk weighted asset
			Amount outstanding	Deduction CRM	Net amount	
----- (Rupees in '000) -----						
Cash and Cash Equivalents		0%	1,401,445	-	1,401,445	-
Corporate						
	0	0%	-	793,574	793,574	-
	1	20%	1,724,437	(163,430)	1,561,007	312,201
	2	50%	1,195,655	(241,970)	953,685	476,843
	3,4	100%	424,276	-	424,276	424,276
	5,6	150%	739,600	-	739,600	1,109,400
	Unrated	100%	13,985,991	(388,174)	13,597,817	13,597,817
			18,069,959	-	18,069,959	15,920,537
Retail						
		0%	-	606,439	606,439	-
		20%	-	1,179	1,179	236
		50%	-	-	-	-
		75%	1,752,344	(607,618)	1,144,726	858,545
			1,752,344	-	1,752,344	858,781
Banks						
- Maturity over 3 Months						
		0%	-	335,000	335,000	-
	1	20%	455,844	-	455,844	91,169
	2,3	50%	1,324,568	(335,000)	989,568	494,784
	4,5	100%	213,673	-	213,673	213,673
	6	150%	5,353	-	5,353	8,030
	Unrated	50%	86,496	-	86,496	43,248
			2,085,934	-	2,085,934	850,904
- Maturity upto and under 3 Months in FCY						
		0%	-	-	-	-
	1,2,3	20%	1,023,499	-	1,023,499	204,700
	4,5	50%	126,295	-	126,295	63,148
	6	150%	30,417	-	30,417	45,626
	unrated	20%	230,408	-	230,408	46,082
			1,410,619	-	1,410,619	359,556
- Maturity upto and under 3 Months in PKR						
		0%	-	1,387,691	1,387,691	-
		20%	2,388,044	(1,387,691)	1,000,353	200,071
			2,388,044	-	2,388,044	200,071
Residential Mortgage Finance		35%	512,489	-	512,489	179,371
Public Sector Entity						
		0%	-	-	-	-
	1	20%	499,919	-	499,919	99,984
	2,3	50%	-	-	-	-
	4,5	100%	-	-	-	-
	6	150%	-	-	-	-
	Unrated	50%	-	-	-	-
			499,919	-	499,919	99,984
Sovereigns (SBP / GoP)		0%	41,398,075	-	41,398,075	-
Equity Investments - Listed		100%	1,805,054	-	1,805,054	1,805,054
- Unlisted		150%	85,629	-	85,629	128,444
			1,890,683	-	1,890,683	1,933,498
Past Due Loans (Not Secured by Residential Mortgages)						
	S.P less than 20%	150%	1,441,514	-	1,441,514	2,162,271
	S.P upto 20%	100%	332,219	-	332,219	332,219
	S.P greater than 50%	50%	293,477	-	293,477	146,739
			2,067,210	-	2,067,210	2,641,229
Investment in fixed assets		100%	1,555,280	-	1,555,280	1,555,280
Other assets		100%	911,297	-	911,297	911,297
Total			75,943,298	-	75,943,298	25,510,508

* Credit Risk Mitigation (CRM)

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

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

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

42.2 Equity position risk in the banking book

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

42.3 Market risk

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

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

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

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

Risk reporting undertaken by the market risk function includes:

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

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

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

42.3.2 Foreign exchange risk

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

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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.

	2013			Net foreign currency exposure
	Assets	Liabilities	Off-balance sheet items	
	----- (Rupees in '000) -----			
Pakistan Rupee	107,215,284	97,634,340	(503,141)	9,077,803
United States Dollar	5,009,786	4,772,299	(438,414)	(200,927)
Great Britain Pound	170,073	746,921	592,668	15,820
Euro	320,378	680,323	359,032	(913)
Other currencies	54,451	2,196	(10,145)	42,110
	5,554,688	6,201,739	503,141	(143,909)
	<u>112,769,972</u>	<u>103,836,079</u>	<u>-</u>	<u>8,933,893</u>

	2012			Net foreign currency exposure
	Assets	Liabilities	Off-balance sheet items	
	----- (Rupees in '000) -----			
Pakistan Rupee	77,389,848	68,614,646	155,690	8,930,892
United States Dollar	3,711,431	3,463,780	(228,852)	18,799
Great Britain Pound	311,221	364,650	53,874	445
Euro	139,360	158,820	23,322	3,862
Other currencies	18,135	680	(4,034)	13,421
	4,180,147	3,987,930	(155,690)	36,527
	<u>81,569,995</u>	<u>72,602,576</u>	<u>-</u>	<u>8,967,419</u>

42.3.3 Equity position risk in trading book

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

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

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42.3.4 Mismatch of interest rate sensitive assets and liabilities

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

	2013										Non-interest bearing financial instrument	
	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years		
	(Rupees in '000)											
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks		983,134	-	-	-	-	-	-	-	-	-	6,780,758
Balances with other banks		67,960	-	-	-	-	-	-	-	-	-	447,022
Lendings to financial institutions	9.65 - 13.56	20,952,466	-	633,333	-	-	-	-	-	-	-	-
Investments	3.55 - 12.58	40,760,195	13,708,144	446,980	25,172	2,658,241	2,984,299	3,761,250	2,397,914	-	-	2,079,715
Advances	2.5 - 23.00	33,762,507	23,809,672	4,623,674	2,441,098	461,411	74,035	175,649	44,173	690,003	-	1,357,192
Other assets	-	1,694,204	-	-	-	-	-	-	-	-	-	1,694,204
		106,091,579	18,331,818	3,521,411	486,583	2,743,941	3,058,334	3,936,899	2,442,087	690,003	-	12,358,891
Liabilities												
Bills payable		-	-	-	-	-	-	-	-	-	-	1,414,793
Borrowings	8.40 - 10.5	18,334,746	837,500	978,600	-	-	-	-	-	-	-	-
Deposits and other accounts	0.2 - 15.00	43,802,061	7,134,679	3,429,829	3,678,858	17,848	119,219	5,600	-	-	-	22,728,031
Other liabilities	-	1,319,165	7,972,179	4,408,429	3,678,858	17,848	119,219	5,600	-	-	-	1,319,165
		103,800,929	62,136,807	4,408,429	3,678,858	17,848	119,219	5,600	-	-	-	25,461,989
On-balance sheet financial instruments												
		2,290,650	(3,615,095)	(887,018)	(3,192,275)	2,725,993	2,939,115	3,931,299	2,442,087	690,003	-	(13,103,098)
Commitments in respect of derivative financial instruments - Purchase												
		7,027,435	3,427,201	711,083	-	-	542,250	-	-	-	-	-
Commitments in respect of derivative financial instruments - Sale												
		(7,530,575)	(4,958,405)	(410,895)	-	-	(542,250)	-	-	-	-	-
Off-balance sheet gap												
		(503,140)	(1,531,204)	300,188	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap												
		(5,146,299)	11,087,515	(586,830)	(3,192,275)	2,725,993	2,939,115	3,931,299	2,442,087	690,003	-	(13,103,098)
Cumulative yield / interest risk sensitivity gap												
		(5,146,299)	5,941,216	5,354,386	2,162,111	4,888,104	7,827,219	11,758,518	14,200,605	14,890,608	-	-

Notes to the Unconsolidated Financial Statements for the year ended December 31, 2013

	2012								2012	
	Effective yield interest rate - %	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years		Non-interest bearing financial instrument
On-balance sheet financial instruments										
Assets										
Cash and balances with treasury banks	-	602,345	-	-	-	-	-	-	-	4,424,292
Balances with other banks	-	607,763	-	-	-	-	-	-	-	571,662
Lendings to financial institutions	8.46 - 10.39	3,194,641	7,053	708,702	30,562	-	-	-	-	-
Investments	3.16 - 12.23	1,725,847	1,771,373	6,835,573	28,124,175	1,035,285	1,937,030	745,760	-	1,363,723
Advances	8.46 - 10.39	11,457,751	3,179,201	1,802,899	709,034	167,634	1,23,530	7,956	499,754	2,066,011
Other assets	-	17,588,347	4,957,627	9,347,174	28,863,771	1,202,919	2,060,560	753,716	499,754	994,743
		75,536,961								9,420,431
Liabilities										
Bills payable	-	-	-	-	-	-	-	-	-	713,747
Borrowings	8.46 - 11	7,298,799	306,374	617,100	-	-	-	-	-	-
Deposits and other accounts	6 - 10.39	31,359,068	5,084,956	3,180,640	5,503,740	10,250	5,150	-	-	17,386,868
Other liabilities	-	-	-	-	-	-	-	-	-	1,092,715
		38,657,867	5,391,330	3,797,740	5,503,740	10,250	5,150	-	-	19,193,330
		(21,069,520)	(433,703)	5,549,434	23,360,031	1,192,669	2,055,410	753,716	499,754	(9,772,899)
On-balance sheet financial instruments		2,292,630	145,123	131,200	-	-	-	-	-	-
Commitments in respect of derivative financial instruments - Purchase										
		(1,717,979)	(534,790)	(198,200)	-	-	-	-	-	-
Commitments in respect of derivative financial instruments - Sale										
		298,328	(389,667)	(67,000)	-	-	-	-	-	-
Off-balance sheet gap		(20,771,192)	(823,370)	5,482,434	23,360,031	1,192,669	2,055,410	753,716	499,754	(9,772,899)
Total yield / interest risk sensitivity gap		(20,771,192)	(21,594,562)	(16,112,128)	7,247,903	8,440,572	11,325,523	12,079,239	12,578,993	-
Cumulative yield / interest risk sensitivity gap										

		2013	2012
		(Rupees in '000)	
Reconciliation to total assets			
Balance as per balance sheet		112,769,972	81,569,995
Less: Non financial assets			
Investments - net		1,919,121	1,919,121
Operating fixed assets		3,627,512	3,165,117
Deferred tax assets		883,605	699,272
Other assets		248,155	249,524
		6,678,393	6,033,034
		106,091,579	75,536,961
Reconciliation to total liabilities			
Balance as per balance sheet		103,836,079	72,602,576
Less: Non financial liabilities			
Government duties		35,150	30,048
		103,800,929	72,572,528

Notes to the Unconsolidated Financial Statements for the year ended December 31, 2013

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

	2013										
	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years		
Total	(Rupees in '000)										
Assets											
Cash and balances with treasury banks	7,773,892	-	-	-	-	-	-	-	-	-	
Balances with other banks	514,982	-	-	-	-	-	-	-	-	-	
Lendings to financial institutions	18,020,284	50,706	284,422	202,292	2,855,076	105,811	67,208	-	-	-	
Investments	42,679,316	13,020,402	147,509	221,478	3,067,336	3,293,394	3,988,700	2,732,365	1,919,121	690,003	
Advances	33,762,507	12,736,632	8,261,011	511,043	856,581	742,540	421,160	62,585	-	-	
Other assets	1,942,359	47,489	58,966	48,790	17,131	1,940	-	-	-	-	
Operating fixed assets	27,198	332,229	80,723	159,201	307,698	269,409	350,930	241,329	1,858,795	-	
Deferred tax assets	883,605	-	-	-	-	-	883,605	-	-	-	
	112,769,972	51,874,362	8,832,631	1,142,804	7,103,822	4,413,094	5,711,603	3,086,279	4,467,919	-	
Liabilities											
Bills payable	1,414,793	-	-	-	-	-	-	-	-	-	
Borrowings	20,150,846	837,500	978,600	-	-	-	-	-	-	-	
Deposits and other accounts	80,916,125	14,879,370	11,025,929	9,185,482	2,290,651	119,219	22,338,702	-	-	-	
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-	
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	
Other liabilities	1,354,315	1,289	-	-	-	-	-	-	-	-	
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	
	103,836,079	15,718,159	12,004,529	9,185,482	2,290,651	119,219	22,453,752	-	-	-	
	8,933,893	10,469,299	(3,171,898)	(8,042,678)	4,813,171	4,293,875	(16,742,149)	3,086,279	4,467,919	-	
Net assets											
Share capital	10,724,643	-	-	-	-	-	-	-	-	-	
Discount on issue of right shares	(2,105,401)	-	-	-	-	-	-	-	-	-	
Statutory reserve	301,699	-	-	-	-	-	-	-	-	-	
Accumulated losses	218,098	-	-	-	-	-	-	-	-	-	
Surplus on revaluation of assets - net	(205,146)	-	-	-	-	-	-	-	-	-	
	8,933,893	-	-	-	-	-	-	-	-	-	
Represented by:											
Up to 1 month	12%	Over 1 to 3 months	15%	Over 3 to 6 months	15%	Over 6 months to 1 year	11%	Over 1 to 2 years	4%	Over 2 to 5 years	43%
Weighted average											

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

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

Notes to the Unconsolidated Financial Statements

for the year ended December 31, 2013

	2012									
	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
Assets	(Rupees in '000)									
Cash and balances with treasury banks	5,026,637	-	-	-	-	-	-	-	-	-
Balances with other banks	1,179,425	-	-	-	-	-	-	-	-	-
Lending to financial institutions	3,940,958	7,065	408,721	180,601	233,421	150,100	150,362	-	-	-
Investments	46,259,398	1,398,306	6,191,778	28,399,004	1,450,358	1,341,609	2,185,307	915,034	-	-
Advances	20,064,921	4,319,252	2,588,251	6,287,035	739,740	492,510	418,505	7,956	499,754	-
Other assets	1,244,267	41,165	46,213	35,284	12,793	810	-	-	-	-
Operating fixed assets	24,466	86,780	92,950	141,187	273,270	258,132	413,675	203,389	1,671,268	-
Deferred tax assets	699,272	-	-	-	-	-	699,272	-	-	-
	81,569,995	5,852,568	9,327,913	35,043,111	2,709,582	2,243,161	3,867,121	1,126,379	2,171,022	-
Liabilities										
Bills payable	713,747	-	-	-	-	-	-	-	-	-
Borrowings	7,298,799	306,374	617,100	-	-	-	-	-	-	-
Deposits and other accounts	16,509,222	15,058,983	5,910,703	8,111,770	10,250	13,121	16,929,744	-	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	1,122,763	11,358	-	-	-	-	50,202	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
	72,602,576	15,376,715	6,527,803	8,111,770	10,250	13,121	16,979,946	-	-	-
Net assets	8,967,419	(9,524,147)	2,800,110	26,931,341	2,699,332	2,230,040	(13,112,825)	1,126,379	2,171,022	-
Represented by:										
Share capital	10,724,643									
Discount on issue of right shares	(2,105,401)									
Statutory reserve	231,442									
Accumulated losses	(64,596)									
Surplus on revaluation of assets - net	181,331									
	8,967,419									

	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 2 to 3 years
Weighted average	20%	25%	7%	6%	42%

Notes to the Unconsolidated Financial Statements for the year ended December 31, 2013

42.5 Operational risk

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

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

The Bank has implemented a comprehensive "Operational Risk Management Framework" which has also been approved by the Board Risk Management Committee. The purpose of bank-wide Operational Risk Management Framework is 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.

An overall review and updating / consolidation of systems and procedures with the objective of further improving internal controls has been a major objective of the Bank during the year so as to be fully compliant with relevant Internal Control guidelines of the State Bank of Pakistan. Accordingly, the Bank has completed / updated detailed documentation of existing process and relevant controls. The Bank has duly met the milestones of roadmap pertaining to ICFR (Internal Controls on Financial Reporting). A Steering Committee comprising of senior management has actively overseen the process.

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. Moreover, the Bank has put in place comprehensive IT Security Policy which addresses enterprise wide risk drivers inclusive of technology infrastructure, software hardware and IT security.

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

43. Reclassification

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

Description	Rupees in (000)	Reclassified	
		From	To
i) Bank balance outside - On current accounts	1,160	Cash and balances with treasury banks	Balances with other banks
ii) Provision for Workers' Welfare Fund (WWF)	32,509	Taxation - Current	Other provisions / write offs

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

45. DATE OF AUTHORISATION FOR ISSUE

These Unconsolidated financial statements were authorised for issue by the Board of Directors on February 25, 2014.

Jahangir Siddiqui
Chairman

Khalid Imran
President & Chief Executive Officer

Mazharul Haq Siddiqui
Director

Shahab Anwar Khawaja
Director





Consolidated Financial Statements

Directors' Report on Consolidated Financial Statement for The Year Ended December 31, 2013

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

Consolidated financial highlights

	2013	2012 *(Restated)
	----- (Rupees in '000) -----	
Profit before taxation	1,077,844	1,158,704
Taxation	(240,080)	(337,814)
Profit after taxation	837,764	820,890
Profit attributable to non-controlling interest	(363,268)	(98,297)
Profit attributable to equity holders of the Bank	474,496	722,593
Earnings per share - Rupees	0.44	0.71
Investments	43,855,194	47,884,719
Total assets	114,748,759	84,018,777
Deposits	80,055,276	61,934,787
Shareholders' equity	11,026,877	10,663,502

Pattern of Shareholding

The pattern of shareholding as at December 31, 2013 is included in the annual report

Subsidiaries Companies

a) JS Global Capital Limited

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

JS Global has paid up capital of PKR 500 million and shareholder equity of PKR 2.54 billion as on December 31, 2013. It is listed on the Karachi and Islamabad Stock Exchanges.

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

Summarized results of the company are set out below:

	12 Months to December 31, 2013 (Audited)	*12 Months to December 31, 2013 (Un-Audited)
Profit before tax (Rs in millions)	210.28	270.32
Profit after tax (Rs in millions)	150.20	204.77
EPS	3	4.1

Directors' Report on Consolidated Financial Statement for The Year Ended December 31, 2013

JS Investments Limited

JS Investments has paid up capital of PKR 1 billion and shareholder equity of PKR 1.01 billion as on December 31, 2013. The shares of the Company are quoted on the Karachi Stock Exchange since April 24, 2007.

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

The Company has the license of an "Investment Adviser" and "Asset Management Company" (AMC) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). In addition, the Company is also a licensed Pension Fund Manager under the Voluntary Pension System Rules, 2005, to manage voluntary pension schemes. The Company has a paid up capital of PKR 1,000 million and shareholder equity of Rs. 1,798 million as on December 31, 2013.

Summarized results of the Company are set out below:

	12 Months to December 31,2013 (Audited)	*12 Months to December 31,2013 (Un-Audited)
Profit before tax (Rs in millions)	624.54	187.63
Profit after tax (Rs in millions)	598.18	187.27
EPS	5.98	1.87

*To comply with the requirement of Section 238 of the Companies Ordinance, 1984 the financial year of JS Global and JS Investments has been changed from June 30 to December 31 in order to coincide it with that of JS Bank. For the purpose of comparison, the 12th month (from January 1, 2012 to December 31, 2012) figure has been extracted from last year audited accounts.

For and on behalf of the Board,

Jahangir Siddiqui
Chairman

February 25, 2014

AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of **JS Bank Limited** (the Bank) and its subsidiary companies (together, the Group) as at December 31, 2013 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. These financial statements include unaudited certified returns from the branches except for 3 branches which have been audited by us. We have also expressed separate opinions on the financial statements of the Bank and its subsidiary companies namely JS Global Capital Limited, JS Investments Limited and JS ABAMCO Commodities Limited. These financial statements are responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly the financial position of the Bank and its subsidiary companies as at December 31, 2013 and the results of their operations for the year then ended.

The financial statements of the subsidiary companies JS Investments Limited and JS ABAMCO Commodities Limited for the period ended December 31, 2012 were audited by another firm of chartered accountants who through their reports dated February 22, 2013 and February 20, 2013 respectively expressed an unqualified opinion thereon.

M. Yousuf Adil Saleem

Chartered Accountants

Engagement Partner:
Nadeem Yousuf Adil

Date: February 25, 2014
Place: Karachi

Consolidated Statement of Financial Position

as at December 31, 2013

	Note	2013 ----- (Rupees in '000) -----	2012 *(Restated) -----
ASSETS			
Cash and balances with treasury banks	8	7,775,070	5,026,782
Balances with other banks	9	542,126	1,195,024
Lendings to financial institutions	10	21,585,799	3,740,958
Investments - net	11	43,855,194	47,884,719
Advances - net	12	33,769,008	19,909,385
Operating fixed assets	13	3,750,784	3,412,167
Deferred tax assets - net	14	1,052,958	860,704
Other assets	15	2,417,820	1,989,038
		114,748,759	84,018,777
LIABILITIES			
Bills payable	16	1,414,793	713,747
Borrowings	17	20,150,846	8,704,685
Deposits and other accounts	18	80,055,276	61,934,787
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	19	1,820,276	1,719,010
		103,441,191	73,072,229
NET ASSETS			
		11,307,568	10,946,548
REPRESENTED BY			
Share capital	20	10,724,643	10,724,643
Discount on issue of shares		(2,105,401)	(2,105,401)
Reserves		301,698	231,441
Accumulated profits / (losses)		239,766	(50,375)
Non-controlling interest		1,866,171	1,863,194
		11,026,877	10,663,502
Surplus on revaluation of assets - net of tax	21	280,691	283,046
		11,307,568	10,946,548
CONTINGENCIES AND COMMITMENTS			
	22		

* Change in accounting policy as disclosed in note 6.23

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

Jahangir Siddiqui

Chairman

Khalid Imran

President & Chief Executive Officer

Mazharul Haq Siddiqui

Director

Shahab Anwar Khawaja

Director

Consolidated Profit and Loss Account

for the year ended December 31, 2013

		2013	2012 *(Restated)
	Note	----- (Rupees in '000) -----	
Mark-up / return / interest earned	24	6,969,555	6,168,310
Mark-up / return / interest expensed	25	4,512,561	3,731,733
Net Mark-up / Interest income		<u>2,456,994</u>	<u>2,436,577</u>
Provision against non-performing loans and advances	12.4	(429,932)	(457,504)
Reversal of / (provision) against diminution in value of investments	11.3	165,498	(72,424)
Bad debts written off directly		-	-
		<u>(264,434)</u>	<u>(529,928)</u>
Net mark-up / interest income after provisions		2,192,560	1,906,649
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income	26	1,125,387	818,790
Dividend income		386,681	82,636
Income from dealing in foreign currencies		269,554	205,775
Gain on sale of securities - net	27	525,393	938,665
Unrealised gain on revaluation of investments classified as held-for-trading		159,138	37,762
Other income	28	131,174	64,556
Total non mark-up / interest income		2,597,327	2,148,184
		<u>4,789,887</u>	<u>4,054,833</u>
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	29	3,647,837	2,886,225
Other provisions / write offs	30	63,662	12,534
Fixed assets written off		-	-
Other charges	31	544	(2,630)
Total non-mark-up / interest expenses		3,712,043	2,896,129
		<u>1,077,844</u>	<u>1,158,704</u>
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		1,077,844	1,158,704
Taxation - Current	32	(222,780)	(115,002)
- Prior years		(1,450)	61,885
- Deferred		(15,850)	(284,697)
		<u>(240,080)</u>	<u>(337,814)</u>
PROFIT AFTER TAXATION		837,764	820,890
Attributable to :			
Equity holders of the Bank		474,496	722,593
Non-controlling interest		363,268	98,297
		<u>837,764</u>	<u>820,890</u>
Earnings per share - basic and diluted	33	<u>0.44</u>	<u>0.71</u>

* Change in accounting policy as disclosed in note 6.23

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

Jahangir Siddiqui

Chairman

Khalid Imran

President & Chief Executive Officer

Mazharul Haq Siddiqui

Director

Shahab Anwar Khawaja

Director

Consolidated Statement of Comprehensive Income

for the year ended December 31, 2013

	Note	2013	2012
		*(Restated)	
		(Rupees in '000)	
Profit after tax for the year		837,764	820,890
Other comprehensive income			
Items that will be reclassified to profit and loss account in subsequent period		-	-
Items that will not be reclassified to profit and loss account in subsequent period			
Actuarial gain / (loss) on defined benefit plan -net of tax	36.5	1,668	(3,393)
Total comprehensive income for the year		839,432	817,497
Attributable to :			
Equity holders of the Bank		476,164	719,200
Non-controlling interest		363,268	98,297
		839,432	817,497

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

* Change in accounting policy as disclosed in note 6.23

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

Jahangir Siddiqui

Chairman

Khalid Imran

President & Chief Executive Officer

Mazharul Haq Siddiqui

Director

Shahab Anwar Khawaja

Director

Consolidated Statement of Changes in Equity

for the year ended December 31, 2013

Attributable to shareholders of the Bank

	Issued, subscribed and paid-up share capital	Discount on issue of shares	Statutory reserve	Accumulated (losses) / profits	Sub-total	Non- controlling interest	Total
----- (Rupees in '000) -----							
Balance as at January 01, 2012	10,002,930	(1,944,880)	89,978	(642,058)	7,505,970	1,303,146	8,809,116
Effects of change in accounting policy (note 6.23)	-	-	(383)	14,329	13,946	-	13,946
Balance as at January 01, 2012 as restated	10,002,930	(1,944,880)	89,595	(627,729)	7,519,916	1,303,146	8,823,062
Non controlling interest on acquisition of subsidiary	-	-	-	-	-	550,026	550,026
Purchase of non controlling interest by the Parent	-	-	-	-	-	(2,613)	(2,613)
Total comprehensive income for the year							
Profit after taxation for the year ended December 31, 2012 as restated	-	-	-	722,593	722,593	98,297	820,890
Other comprehensive income as restated	-	-	-	(3,393)	(3,393)	-	(3,393)
Total comprehensive income for the year ended December 31, 2012 as restated	-	-	-	719,200	719,200	98,297	817,497
Transaction with owners recorded directly in equity							
Issue of shares during the year	721,713	-	-	-	721,713	-	721,713
Discount on issue of shares	-	(160,521)	-	-	(160,521)	-	(160,521)
	721,713	(160,521)	-	-	561,192	-	561,192
Dividend for the year ended December 31, 2012 @ Rs. 3.5 per ordinary share paid to non controlling interest	-	-	-	-	-	(85,662)	(85,662)
Transfer to statutory reserve	-	-	141,635	(141,635)	-	-	-
Effects of change in accounting policy (note 6.23)	-	-	211	(211)	-	-	-
Transfer to statutory reserve as restated	-	-	141,846	(141,846)	-	-	-
Balance as at December 31, 2012 as restated	10,724,643	(2,105,401)	231,441	(50,375)	8,800,308	1,863,194	10,663,502
Total comprehensive income for the year							
Profit after taxation for the year ended December 31, 2013	-	-	-	474,496	474,496	363,268	837,764
Other comprehensive income	-	-	-	1,668	1,668	-	1,668
Total comprehensive income for the year ended December 31, 2013	-	-	-	476,164	476,164	363,268	839,432
Transaction with owners recorded directly in equity							
Pre-acquisition surplus (net) on available-for-sale investments realised during the year	-	-	-	(115,766)	(115,766)	(105,679)	(221,445)
Dividend for the year ended 'December 31, 2012 ordinary share paid to non controlling interest	-	-	-	-	-	(121,187)	(121,187)
Interim dividend for the period ended June 30, 2013 ordinary share paid to non controlling interest	-	-	-	-	-	(133,425)	(133,425)
Transfer to statutory reserve	-	-	70,257	(70,257)	-	-	-
Balance as at December 31, 2013	10,724,643	(2,105,401)	301,698	239,766	9,160,706	1,866,171	11,026,877

* Change in accounting policy as disclosed in note 6.23

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

Jahangir Siddiqui

Chairman

Khalid Imran

President & Chief Executive Officer

Mazharul Haq Siddiqui

Director

Shahab Anwar Khawaja

Director

Consolidated Cash Flow Statement

for the year ended December 31, 2013

	Note	2013	2012
		*(Restated)	
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		1,077,844	1,158,704
Less: Dividend income		(386,681)	(82,636)
		691,163	1,076,068
Adjustments:			
Depreciation	13.2	287,486	231,959
Amortisation of intangible assets	13.3	21,475	19,182
Impairment of intangible asset	13.3	105,000	-
Charge for defined benefit plan	36.6	14,566	21,565
Provision against non-performing advances - net	12.4	429,932	457,504
Unrealised (gain) / loss on revaluation of investments classified as held-for-trading		(159,138)	(37,762)
(Reversal) / provision against diminution in the value of investments	11.3	(165,498)	72,424
Other provisions / write offs	30	63,662	12,534
Gain on sale of fixed assets	28	(46,539)	(46,350)
		550,946	731,056
		1,242,109	1,807,124
Decrease / (increase) in operating assets			
Lendings to financial institutions		(17,844,841)	62,064
Held for trading securities		(20,048,505)	3,444,381
Advances		(14,289,555)	(2,332,945)
Other assets (excluding advance taxation)		(522,118)	(362,719)
		(52,705,019)	810,781
Increase in operating liabilities			
Bills payable		701,046	(533,247)
Borrowings		11,490,727	5,187,775
Deposits		18,120,489	21,760,436
Other liabilities		47,673	380,408
		30,359,935	26,795,372
		(22,345,084)	27,606,153
Payment to defined benefit plan		(22,967)	(75,000)
Income tax paid		(130,894)	(101,160)
Net cash (used in) / from operating activities		(21,256,836)	29,237,117
CASH FLOW FROM INVESTING ACTIVITIES			
Net investment in available-for-sale securities		23,970,762	(26,753,088)
Cash received on acquisition of subsidiary		-	2,196
Dividend received		386,681	82,636
Payments for operating fixed assets		(770,214)	(424,707)
Proceeds on sale property and equipment disposed-off		64,175	70,316
Net cash from / used in investing activities		23,651,404	(27,022,647)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid to non-controlling interest		(254,612)	(85,662)
Net cash used in financing activities		(254,612)	(85,662)
Increase / (decrease) in cash and cash equivalents		2,139,956	2,128,808
Cash and cash equivalents at beginning of the year		6,173,097	4,044,289
Cash and cash equivalents at end of the year	34	8,313,053	6,173,097

* Change in accounting policy as disclosed in note 6.23

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

Jahangir Siddiqui

Chairman

Khalid Imran

President & Chief Executive Officer

Mazharul Haq Siddiqui

Director

Shahab Anwar Khawaja

Director

Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

1. STATUS AND NATURE OF BUSINESS

1.1 The "Group" consists of:

1.1.1 Holding Company

JS Bank Limited (the Bank), incorporated in Pakistan, is a scheduled bank, engaged in commercial banking and related services. The Bank's ordinary shares are listed on Karachi Stock Exchange in Pakistan. The Bank is a subsidiary of Jahangir Siddiqui & Co. Ltd. (JSCL). The registered office of the Bank is situated at Shaheen Commercial Complex, Dr. Ziauddin Ahmed Road, Karachi. The Bank operates with 211 (2012: 185) branches / sub-branches in Pakistan. The Bank is rated at "A+" (Single A Plus) for long term and "A1" (A One) for short term by Pakistan Credit Rating Agency (PACRA).

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

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

The ultimate parent of the Group is Jahangir Siddiqui Co. Ltd. which holds 70.42% shares of the Bank

1.1.2 Subsidiary Companies

JS Global Capital Limited (JSGCL)

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

JS Investments Limited (JSIL)

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

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

Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

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

- Asset management company of the following funds:

Open end funds:

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

- Pension fund manager of the following funds:

- JS Pension Savings Fund
- JS Islamic Pension Savings Fund

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

JS ABAMCO Commodities Limited

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

1.2 Compliance with Minimum Capital Requirement

The State Bank of Pakistan (SBP) through its BSD Circular no. 7 dated April 15, 2009 prescribed that the minimum paid up capital (net of losses) for Banks / Development Finance Institutions (DFIs) needed to be raised to Rs.10 billion by the year ending December 31, 2013. The raise was to be achieved in a phased manner requiring Rs.10 billion paid-up capital (free of losses) by the end of the financial year 2013. The paid up capital (free of losses) of the Bank as at December 31, 2013 stood at Rs. 8.619 billion. To meet the shortfall, the Bank, subsequent to the year end on February 19, 2014, has issued 150 million un-listed, convertible, irredeemable, perpetual, non cumulative, non-voting preference shares of Rs. 10 each which qualified for Additional Tier I Capital under Basel III requirement to meet the shortfall in the Minimum Capital Requirement (MCR). As a result of this transaction, the paid up capital of the Bank has increased by Rs. 1.5 billion.

In the meantime, the SBP granted extension to the Bank from complying with the requirements of MCR for December 31, 2013 till February 28, 2014.

1.3 Basis of consolidation

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

Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

- 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.

2. BASIS OF PRESENTATION

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

3. BASIS OF MEASUREMENT

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

4. STATEMENT OF COMPLIANCE

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

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

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

Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

4.4 New accounting standards / amendments and IFRS interpretations that are effective for the year ended December 31, 2013.

The following standards, amendments and interpretations are effective for the year ended December 31, 2013. These standards, interpretations and the amendments are either not relevant to the Group's operations or are not expected to have significant impact on the Group's financial statements other than certain additional disclosures.

Standards/Amendments/Interpretations	Effective from accounting period beginning on or after
- Amendments to IAS 1 - Presentation of Financial Statements - Clarification of Requirements for Comparative information	January 1, 2013
- Amendments to IAS 16 - Property, Plant and Equipment - Classification of servicing equipment	January 1, 2013
- Amendments to IAS 32 - Financial Instruments: Presentation - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction	January 1, 2013
- Amendments to IAS 32 - Financial Instruments: Presentation - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction	January 1, 2013
- Amendments to IAS 34 - Interim Financial Reporting - Interim reporting of segment information for total assets and total liabilities	January 1, 2013
- Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting financial assets and financial liabilities	January 1, 2013
- IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	January 1, 2013
- Amendments to IAS 19 - Employees Benefits (Revised 2011)	January 1, 2013

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

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

Standards/Amendments/Interpretations	Effective from accounting period beginning on or after
- Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities	January 1, 2014
- IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets	January 1, 2014
- IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting	January 1, 2014
- IFRIC 21 - Levies	January 1, 2014

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

- IFRS 1 - First Time Adoption of International Financial Reporting Standards
- IFRS 9 - Financial Instruments
- IFRS 10 - Consolidated Financial Statements
- IFRS 11 - Joint Arrangements
- IFRS 12 - Disclosure of Interests in Other Entities
- IFRS 13 - Fair Value Measurement
- IAS 27 (Revised 2011) - Separate Financial Statements due to non-adoption of IFRS 10 and IFRS 11
- IAS 28 (Revised 2011) - Investments in Associates and Joint Ventures due to non- adoption of IFRS 10 and IFRS 11

Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

5. CRITICAL ACCOUNTING ESTIMATES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

i) Classification of investments

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

ii) Provision against non performing loans and advances

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

iii) Valuation and impairment of available for sale equity investments

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

iv) Income taxes

In making the estimates for income taxes currently payable by the Bank, the management 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.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

vi) Property and equipment, depreciation and amortisation

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

vii) 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 details 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.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6.1 Basis of Consolidation

Subsidiary

Subsidiary is an entity controlled by the Group. Control exists when the Group has power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiary is included in the consolidated financial statements from the date that control commences until the date that control ceases.

Acquisition of business not under common control

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

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

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

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

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

Notes to the Consolidated Financial Statements for the year ended December 31, 2013

Acquisition of business under common control

Acquisition of business under common control is 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, except for the transaction made in the current year as disclosed in note 7.

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

6.2 Cash and cash equivalents

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

6.3 Lendings to / borrowings from financial institutions

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

(a) Sale under repurchase obligation

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

(b) Other lendings

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

6.4 Trade date accounting

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

Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

6.5 Investments

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

(a) Held-for-trading

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

(b) Held to maturity

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

(c) Available-for-sale

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

6.6 Financial instruments

6.6.1 Financial assets and financial liabilities

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

6.6.2 Derivative financial instruments

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

6.7 Off-setting of financial assets and financial liabilities

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

6.8 Advances (including net investment in finance lease)

Loan and advances

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

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

6.9 Operating fixed assets and depreciation

Property and equipment

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

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

Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

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

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

Intangible assets

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

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

Capital work-in-process

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

6.10 Impairment

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

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

6.11 Taxation

Current

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

Deferred

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

Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

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

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

6.12 Provisions

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

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

6.13 Staff retirement benefits

Defined contribution plan - the Group

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

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

Defined benefit plan 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, 2013, 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.

The Bank has adopted revised International Accounting Standard 19 (IAS -19) 'Employee Benefits' during the year and changes have been fully explained in note 6.23 below.

6.14 Revenue recognition

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

- Mark-up / return / interest income on 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.

Notes to the Consolidated Financial Statements

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

- Commission is generally recognised as income at the time of affecting the transaction to which it relates, except on guarantees on which the commission is recognised as income over the period of the guarantee. Fees are recognised when earned.
- Dividend income is recognised when the right to receive the dividend is established.
- Remuneration for management services and asset investment advisory services are recognized on an accrual basis.
- Commission income from open end funds is recognised at the time of sale of units
- Commission income and share of profit from management of discretionary client portfolios is recognised on accrual basis.
- Brokerage, consultancy and advisory fee, commission on foreign exchange dealings and government securities etc. are recognised as and when such services are provided
- Gains and losses arising on revaluation of derivatives to fair value are taken to profit and loss account.
- Late payment surcharge on overdue balance of trade debts is recognised on receipt basis.

6.15 Dividend and appropriation to reserves

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

6.16 Foreign currencies

Functional and presentation currency

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

Foreign currency transactions

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

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.

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6.17 Goodwill

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

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

6.18 Segment reporting

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

6.18.1 Business segments:

Corporate finance

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

Trading and sales

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

Retail banking

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

Commercial banking

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

Payment and settlement

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

6.18.2 Geographical segment

The Bank has 211 (2012: 185) branches / sub-branches and operates only in one geographic region which is Pakistan.

Notes to the Consolidated Financial Statements

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6.19 Assets acquired in satisfaction of claims

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

6.20 Fiduciary assets

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

6.21 Operating leases / ijarah

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

6.22 Earnings per share

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

6.23 Effects of change in accounting policy

6.23.1 Staff retirement benefits (Defined benefit plan)

In the current year, the Group has adopted IAS 19 Employees Benefits (as revised in 2011) and the related consequential amendments for the first time.

The International Accounting Standard -19 (IAS 19) 'Employee Benefits', as revised in 2011, changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments requires immediate recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminates the 'corridor approach' permitted under the previous version of IAS 19 and accelerates the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net gratuity asset or liability recognised in the balance sheet to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or assets. These changes have had an impact on the amounts recognised in the profit and loss and other comprehensive income in prior years. In addition, IAS 19 (as revised in 2011) introduce certain changes in the presentation of the defined benefit cost including more extensive disclosures.

Specific transitional provisions are applicable to first-time application of IAS 19 (as revised in 2011). The Group has applied the relevant transitional provisions and restated the comparatives on the retrospective basis in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The Group has not presented third year balance sheet due to above changes as the impact on third year is immaterial. The Effect of retrospective application of change in accounting policy is as follows:

Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

6.23.1 Effect of retrospective application of change in accounting policy are as follows:

		December 31, 2012 (Audited)		
		As previously reported	Effect of restatement	As Restated
		----- (Rupees in '000) -----		
a)	Effect on balance Sheet			
	Decrease in other liabilities defined benefit obligation	1,730,620	(11,610)	1,719,010
	Increase in reserves	231,613	(172)	231,441
	Net decrease in accumulated losses	(62,157)	11,782	(50,375)

		Prior to January 01, 2012		
		As previously reported	Effect of restatement	As Restated
		----- (Rupees in '000) -----		
	Decrease in other liabilities - defined benefit obligation	1,128,444	(13,946)	1,114,498
	Decrease in reserves	89,978	(383)	89,595
	Net decrease in accumulated losses	(642,058)	14,329	(627,729)

		December 31, 2012 (Audited)		
		As previously reported	Effect of restatement	As Restated
		----- (Rupees in '000) -----		
b)	Effect on profit and loss account			
	- Decrease in administrative expenses (b)(i)	2,892,734	(1,057)	2,891,677
c)	Effect on other comprehensive income			
	- Decrease in Other comprehensive income (c)(i)	-	(3,393)	(3,393)
d)	Effect on cash flow statement			
	- Profit before tax	1,190,156	(1,057)	1,189,099
	- Charged for defined benefit plan	22,622	(1,057)	21,565
e)	Effect on current and deferred taxation			

In view of tax losses of the Bank, tax provision has been made for minimum taxation hence there is no impact on tax expense for the year.

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for the year ended December 31, 2013

	2012	Prior to January 01, 2012
	----- (Rupees in '000) -----	
(b)(i) Effect on profit and loss account - Administrative expenses		
Net decrease in profit after tax due to amortisation of actuarial gains and losses recognised in other comprehensive income	(667)	(354)
Decrease in profit after tax due to curtailment gain in other comprehensive income	(524)	(1,563)
Decrease in profit after tax due to recognition of negative past service cost in other comprehensive income	(377)	-
Increase in profit due to in expected return on plan assets	2,625	-
	1,057	(1,917)
(c)(i) Effect on other comprehensive income		
Net income recognised in other comprehensive income	-	1,917
Actuarial (loss) /gains reclassified to other comprehensive income	(3,393)	12,814
Non vested negative past service cost reclassified to other comprehensive income	-	1,132
	(3,393)	15,863

6.23.2 The amendments to IAS 1 - Presentation of Financial Statements - Presentation of items of Other Comprehensive Income is effective from accounting period beginning on or after January 01, 2013 and has impact on the Group's financial statements for the year as discussed in the pursuing paragraph. This changes is considered as change in accounting policy of the Company.

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gains on hedges of net investments, exchange differences on translation of foreign operations, net movements on cash flow hedges and net losses or gains on available for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans). Income tax on items of other comprehensive income is required to be allocated on the same basis i.e. the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments require retrospective application.

As a result of amendments in IAS 1, the Group modified the presentation of the item of OCI in its statements of Profit and Loss and Other Comprehensive Income, to present items that would be reclassified to profit and loss in the future separately from those that would never be. Comparative information has been re-presented on the same basis.

Notes to the Consolidated Financial Statements

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7. BUSINESS COMBINATION - Under common control

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

The Bank acquired the shares in the following manner;

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

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

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

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

7.1.2

Notes to the Consolidated Financial Statements

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

		2013	2012
		(Rupees in '000)	

8.	CASH AND BALANCES WITH TREASURY BANKS		
		Note	
	In hand		
	Local currency	1,544,627	1,198,450
	Foreign currencies	353,663	203,140
		1,898,290	1,401,590
	With State Bank of Pakistan in		
	Local currency current account	3,740,253	2,324,310
	Foreign currency accounts		
	- Cash reserve account - non remunerative	8.1 302,808	194,299
	- Special cash reserve account - remunerative	8.2 905,792	573,183
	- Local US Dollar instruments collection and settlement account - remunerative	8.3 87,342	29,162
		5,036,195	3,120,954
	With National Bank of Pakistan in		
	- Local currency current accounts	838,201	499,919
	National Prize Bonds	2,384	4,319
		7,775,070	5,026,782

- 8.1** This represents current account maintained with the SBP under the requirements of BSD Circular No.18 dated June 30, 2008.
- 8.2** This represents deposit account maintained with SBP under the requirements of BSD Circular No. 18 dated June 30, 2008. Profit rates on this deposit account are fixed on a monthly basis by the SBP. It carries profit of 0% (2012: 0%) per annum.
- 8.3** This represents mandatory reserve maintained to facilitate collection and settlement and to settle foreign currency accounts under FE-25, as prescribed by the SBP. Profit rates on this account are fixed on a monthly basis by the SBP. It carries profit at 0% (2012: 0%) per annum.

Notes to the Consolidated Financial Statements

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		2013	2012
		----- (Rupees in '000) -----	
9.	BALANCES WITH OTHER BANKS		
	In Pakistan		
	On current accounts	169,477	119,788
	On deposit accounts	23,707	10,879
		193,184	130,667
	Outside Pakistan		
	On current accounts	281,043	456,654
	On deposit accounts	67,899	607,703
		348,942	1,064,357
		542,126	1,195,024

9.1 These carry mark-up at the rate of 0% to 5% (2012: 0% to 5%) per annum.

9.2 This represents deposits accounts / term placements outside Pakistan, carrying mark-up rate at 0% (2012: 0%) per annum.

		2013	2012
		----- (Rupees in '000) -----	
10.	LENDINGS TO FINANCIAL INSTITUTIONS		
	Call money lendings	1,700,000	600,000
	Lendings to financial institutions	3,529,419	1,136,983
	Repurchase agreement lendings	16,356,380	2,003,975
		21,585,799	3,740,958

10.1 These represent unsecured call money lendings to financial institutions, carrying interest at the rates ranging between 9.65% and 10.50% (2012: 7.50% and 9.75%) per annum. These are due to mature between January 23, 2014 to May 13, 2014.

10.2 These represents secured lendings to various financial institutions, carrying interest at the rates ranging between 10.44% and 13.56% (2012: 1.50% and 14.03%) per annum. These are due to mature between February 22, 2014 to June 07, 2017.

10.3 These are secured short-term lendings to various financial institutions, carrying mark-up rates ranging from 9.40% to 9.90% (2012: 8.00% to 11.25%) These are due to mature between January 03, 2014 to January 27, 2014. These are collateralized by Market Treasury Bills and Pakistan Investment Bonds as shown in Note 10.5 below.

		2013	2012
		----- (Rupees in '000) -----	
10.4	Particulars of lendings		
	In local currency	21,585,799	3,740,958
	In foreign currency	-	-
		21,585,799	3,740,958

Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

10.5 Securities held as collateral against lendings to financial institutions

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

	2013			2012		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
	(Rupees in '000)			(Rupees in '000)		
Market Treasury Bills	5,617,389	4,644,510	10,261,899	1,169,912	-	1,169,912
Pakistan Investment Bonds	6,192,420	-	6,192,420	867,141	-	867,141
	11,809,809	4,644,510	16,454,319	2,037,053	-	2,037,053

11. INVESTMENTS - net**11.1 Investments by type****Held-for-trading securities**

		2013			2012		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
		(Rupees in '000)			(Rupees in '000)		
Market Treasury Bills	11.2.1 & 11.2.2	11,295,938	11,061,484	22,357,422	1,933,372	228,700	2,162,072
Pakistan Investment Bonds	11.2.1	367,638	-	367,638	709,286	-	709,286
National Saving Bonds		-	-	-	186	-	186
Ijara Sukuk	11.2.1	-	-	-	149,440	-	149,440
Ordinary shares of listed companies	11.2.3	648,622	-	648,622	-	-	-
Term Finance Certificates-listed	11.2.6	82,438	-	82,438	72,731	-	72,731
Term Finance Certificates-unlisted	11.2.7	33,343	-	33,343	20,527	-	20,527
Engro Rupiya Certificates	11.2.12	46,562	-	46,562	39,143	-	39,143
Open ended mutual funds	11.2.10	648,182	-	648,182	912,801	-	912,801
		13,122,723	11,061,484	24,184,207	3,837,486	228,700	4,066,186

Available-for-sale securities

Market Treasury Bills	11.2.1 & 11.2.2	1,371,973	1,492,101	2,864,074	26,937,159	7,041,450	33,978,609
Pakistan Investment Bonds	11.2.1	10,490,171	-	10,490,171	3,746,352	-	3,746,352
Ijara Sukuk	11.2.1	401	-	401	-	-	-
Ordinary shares of listed companies	11.2.3	1,252,948	-	1,252,948	1,042,548	-	1,042,548
Ordinary shares of unlisted companies	11.2.4	26,273	-	26,273	-	-	-
Preference shares of listed companies	11.2.5	136,589	-	136,589	143,739	-	143,739
Term Finance Certificates-listed	11.2.6	864,957	-	864,957	1,589,004	-	1,589,004
Term Finance Certificates-unlisted	11.2.7	1,403,834	-	1,403,834	974,206	-	974,206
Sukuk Certificates-unlisted	11.2.8	-	-	-	105,294	-	105,294
Closed end mutual funds	11.2.9	-	-	-	1,151,696	-	1,151,696
Open ended mutual funds	11.2.10	1,548,319	-	1,548,319	765,832	-	765,832
US dollar bonds	11.2.11	1,726,004	-	1,726,004	787,052	-	787,052
		18,821,469	1,492,101	20,313,570	37,242,882	7,041,450	44,284,332

Total investments at cost

		31,944,192	12,553,585	44,497,777	41,080,368	7,270,150	48,350,518
Less: Provision for diminution in value in investments	11.3	(1,274,042)	-	(1,274,042)	(1,439,540)	-	(1,439,540)
Investments (net of provision)		30,670,150	12,553,585	43,223,735	39,640,828	7,270,150	46,910,978
Unrealized gain / (loss) on revaluation of securities classified as held-for-trading	11.4	163,532	(4,394)	159,138	69,516	-	69,516
Surplus / (deficit) on revaluation of available-for-sale securities	11.1.1	473,704	(1,383)	472,321	888,137	16,088	904,225
Total investments at market value		31,307,386	12,547,808	43,855,194	40,598,481	7,286,238	47,884,719

Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

11.1.1 This includes surplus on revaluation of available for sale investments of subsidiaries amounting to Rs. 302.094 million (2012: 523.539 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.

		2013	2012
		----- (Rupees in '000) -----	
	Note		
11.2	Investments by segments		
	Federal Government Securities		
Market Treasury Bills	11.2.1 & 11.2.2	25,221,496	36,140,681
Pakistan Investment Bonds	11.2.1	10,857,809	4,455,638
National Saving Bonds		-	186
Ijara Sukuk	11.2.1	401	149,440
		36,079,706	40,745,945
	Fully Paid Ordinary Shares		
Listed companies	11.2.3	1,901,570	1,042,548
Unlisted companies		26,273	-
		1,927,843	1,042,548
	Fully Paid Preference Shares		
Listed company	11.2.5	136,589	143,739
	Term Finance Certificates		
Term Finance Certificates - listed	11.2.6	947,395	1,661,735
Term Finance Certificates - unlisted	11.2.7	1,437,177	994,733
Sukuk Certificates	11.2.8	-	105,294
		2,384,572	2,761,762
	Mutual Funds		
Closed end mutual funds	11.2.9	-	1,151,696
Open end mutual funds	11.2.10	2,196,501	1,678,633
		2,196,501	2,830,329
	Others		
Engro Rupiya Certificates	11.2.12	46,562	39,143
Investment in US Dollar Bonds	11.2.11	1,726,004	787,052
		1,772,566	826,195
Total investments at cost		44,497,777	48,350,518
Less: Provision for diminution in value of investments	11.3	(1,274,042)	(1,439,540)
Investments (net of provisions)		43,223,735	46,910,978
Unrealized gain on revaluation of held for trading securities	11.4	159,138	69,516
Surplus on revaluation of available-for-sale securities	11.1.1	472,321	904,225
Total investments at market value		43,855,194	47,884,719

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11.2.1 Principal terms of investment in Federal Government Securities

Name of investment	Maturity	Redemption Period	Coupon
Market Treasury Bills	January 09, 2014 to March 20, 2014	On maturity	At maturity
Pakistan Investment Bonds	April 29, 2014 to July 19, 2022	On maturity	Half Yearly
Ijara Sukuk	March 02, 2015	On maturity	Half Yearly

11.2.2 Included herein are Market Treasury Bills having a book value of Rs. 12,553.585 million (2012: Rs.7,270.150 million), given as collateral against repurchase agreement borrowings from financial institutions.

11.2.3 Details of investment in Ordinary shares - listed

Name of the Company	Shares of Rs.10 each		Rating	Cost		Market value	
	2013	2012		2013	2012	2013	2012
	Numbers		(Rupees in '000)				
Held-for-trading securities							
Ghani Glass Limited	6,300,000	-	Unrated	253,679	-	377,999	-
Adamjee Insurance Company Limited	802,500	-	AA	30,054	-	29,989	-
Attock Refinery Limited	55,000	-	AA	11,361	-	11,422	-
Bank Al Falah Limited	307,000	-	AA	8,404	-	8,301	-
D.G. Khan Cement Limited	614,500	-	Unrated	52,093	-	52,681	-
Engro Foods Limited	32,000	-	Unrated	3,336	-	3,342	-
Engro Corporation	199,000	-	A	31,362	-	31,518	-
Fauji Fertilizer Bin Qasim Limited	34,000	-	Unrated	1,556	-	1,490	-
Fauji Fertilizer Company Limited	142,000	-	Unrated	16,577	-	15,898	-
MCB Bank Limited	63,000	-	AAA	17,763	-	17,714	-
National Bank of Pakistan Limited	854,500	-	AAA	49,941	-	49,612	-
Nishat Chunian Limited	44,500	-	A-	2,574	-	2,679	-
Nishat Mills Limited	530,500	-	AA-	67,931	-	67,501	-
Pakistan Petroleum Limited	143,000	-	Unrated	30,742	-	30,596	-
Pakistan State Oil Limited	75,500	-	AA+	24,944	-	25,083	-
Pakistan Telecommunication Company Limited	1,522,500	-	Unrated	46,173	-	43,300	-
United Bank Limited	1,000	-	AA+	132	-	133	-
				648,622	-	769,258	-
Available-for-sale securities							
Fauji Fertilizer Company Limited	1,936,500	1,940,700	Unrated	223,328	231,061	216,811	227,334
Ghani Glass Limited	2,845,404	9,090,908	Unrated	114,572	347,587	170,724	558,636
Indus Motor Company Limited	66,200	9,200	Unrated	22,148	2,575	22,045	2,484
Millat Tractor Limited	626,131	188,500	Unrated	309,327	103,453	302,108	106,420
Attock Cement Pakistan Limited	823,400	-	Unrated	108,401	-	117,442	-
Kohat Cement Company Limited	1,006,000	-	Unrated	77,605	-	98,357	-
Sitara Chemical Industries Limited	906,300	-	A+	203,613	-	222,053	-
Pakistan State Oil Company Limited	740,000	-	AA+	193,954	-	245,843	-
Adamjee Insurance Company Limited	-	2,795,353	AA	-	213,123	-	190,475
D.G Khan Cement Limited	-	2,264,000	Unrated	-	123,227	-	123,569
Samba Bank Limited	-	7,742,500	AA-	-	19,390	-	23,150
Shifa International Hospitals Limited	-	50,000	Unrated	-	2,132	-	2,025
				1,252,948	1,042,548	1,395,383	1,234,093
				1,901,570	1,042,548	2,164,641	1,234,093

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11.2.4 Details of investment in Ordinary shares - un listed

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

- 3,034,603 shares at Rs. 10 each with a total face value of Rs. 30.346 million and TREC to the Bank by the ISEL.
- 4,007,383 shares at Rs. 10 each with a total face value of Rs. 40.074 million and TREC to the JS Global Capital Limited, JSGCL, a subsidiary company by the KSEL.

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

The Institute of Chartered Accountants of Pakistan in its technical guide dated May 29, 2013, concluded that the demutualization of KSEL, in substance, had not resulted in exchange of dissimilar assets, and therefore no gain or loss should be recognized and the segregation of ownership rights and the trading rights should be accounted for by allocating the cost/carrying value of the membership card between the two distinct assets on a reasonable basis.

Therefore, after considering the above guide;

In case of Bank (parent company), the management believes that the carrying value of stock exchange card is less than face value of shares therefore entire amount has been allocated to shares.

In case of JSGCL, recently, KSE has introduced a minimum capital regime for the brokers, and for this purpose have valued TREC at Rs. 15 million as per the decision of the BOD of the KSE. This fact indicates an acceptable level of value for TREC which is also used by the Stock Exchange for risk management and to safeguard the investor's interest. In the absence of an active market for TREC, this assigned value of Rs. 15 million has been considered as the closest estimate of the fair value of the TREC.

Therefore, based on the above estimates of fair values of KSE shares (Rs. 40 million) and TREC (Rs. 15 million), the JSGCL has allocated its carrying value of the membership card in the ratio of 0.73 to shares and 0.27 to TREC. Consequently, the investments have been recognized at Rs. 15.3 million and TREC at Rs. 5.7 million.

11.2.5 Details of investment in preference shares - listed

Name of the Company	Shares		Rating	Cost		Market value	
	2013	2012		2013	2012	2013	2012
	Numbers			(Rupees in '000)			
Available-for-sale securities							
Agritech Limited	4,823,746	4,823,746	D	48,237	48,237	43,414	48,719
Chenab Limited - 9.25% per annum cumulative preference shares (note 11.2.5.1)	12,357,000	13,357,000	Unrated	88,352	95,502	25,826	14,025
				<u>136,589</u>	<u>143,739</u>	<u>69,240</u>	<u>62,744</u>

- 11.2.5.1** These are cumulative preference shares redeemable in part after four years from the date of issuance i.e. August 2008. The investee company also has an option to redeem, in part, cumulative preference shares after August 2008. The Group has recognized full impairment on these shares amounting to Rs. 88.352 million (2012: Rs. 95.502 million) due to decline in fair market value of the shares.

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11.2.6 Details of investment in Term Finance Certificates - listed *

Name of the Company	Certificates		Rating	Cost		Market value	
	2013	2012		2013	2012	2013	2012
	Numbers		(Rupees in '000)				
Held-for-trading securities							
Allied Bank Limited - 1st Issue	1,000	-	AA	2,589	-	2,553	-
Allied Bank Limited - 2nd Issue	1,000	-	AA	5,242	-	4,785	-
Bank Alfalah Limited - 5th Issue	475	-	AA-	2,398	-	2,448	-
Bank Al Habib Limited 4th Issue	-	400	AA	-	2,041	-	2,057
Engro Fertilizers Pakistan Limited	400	-	A+	1,680	-	1,705	-
Engro Fertilizers Pakistan Limited 3rd Issue	6,700	-	A+	32,454	-	33,401	-
Engro Fertilizers Pakistan Limited 4th Issue	-	1,500	A+	-	6,750	-	6,725
Jahangir Siddiqui Co. Ltd. 7th issue -related party	2,100	3,000	AA+	7,875	15,000	8,038	15,000
Orix Leasing Pakistan Limited	100	100	AA+	1,957	6,000	1,962	5,957
Pakistan Mobile Communication Limited	-	200	AA-	-	19,000	-	18,578
Pakistan Mobile Communication Limited 7th Issue	200	800	AA-	15,578	3,940	15,721	3,980
Tameer Sarmaya Certificate 1st Issue	1,000	2,000	A(SO)	4,988	10,000	4,988	10,000
Tameer Sarmaya Certificate 2nd Issue	1,000	2,000	A(SO)	4,988	10,000	4,988	10,000
United Bank Limited IV 3rd	1,600	-	AA	2,688	-	2,659	-
				82,437	72,731	83,248	72,297
Available-for-sale securities							
Allied Bank Limited - 2nd Issue	9,000	9,000	AA	44,928	44,946	43,061	43,823
Askari Bank Limited - 1st Issue	-	1,080	AA-	-	5,384	-	5,382
Askari Bank Limited - 3rd Issue	8,236	8,236	AA-	41,196	41,220	41,727	45,422
Engro Fertilizer Limited - 1st Issue	13,980	45,880	A+	69,347	227,142	69,725	223,293
Engro Fertilizer Limited - 3rd Issue	35,119	35,119	A+	147,633	161,659	149,695	146,914
Faysal Bank Limited	2,341	2,341	AA-	5,841	11,682	5,867	11,863
Faysal Bank Limited - 3rd Issue	-	3,090	AA-	-	3,853	-	3,859
NIB Bank Limited	-	43,898	A+	-	215,654	-	219,645
Orix Leasing Pakistan Limited - 2nd Issue (face value of Rs.100,000 each)	1,294	1,294	AA+	25,880	77,640	25,941	77,087
Pak Arab Fertilizer Limited - 2nd Issue	-	75,343	AA	-	113,004	-	113,057
Pakistan Mobile Communication Limited	4,200	31,260	AA-	336,000	25,888	339,008	26,117
Pakistan Mobile Communication Limited	-	4,200	AA-	-	399,000	-	390,141
United Bank Limited - 2nd Issue unsecured	-	15,317	AA	-	76,103	-	76,281
World Call Telecommunication Limited	90,650	90,650	D	194,132	185,829	135,893	135,893
				864,957	1,589,004	810,917	1,518,777

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

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

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

Name of the Company	Repayment frequency	Profit		Maturity Date
		Rate per annum		
Held-for-trading securities				
Allied Bank Limited - 1st issue	Semi-annually	6 Month KIBOR ask rate plus 1.9% (for five years)		December 06, 2014
Allied Bank Limited - 2nd issue	Semi-annually	6 Month KIBOR ask rate plus 0.85% (for first five years)		August 28, 2019
Bank Alfalah Limited - 5th Issue	Semi-annually	6 Month KIBOR ask rate plus 1.25%		February 20, 2021
Engro Fertilizer Limited- 1st Issue	Semi-annually	6 Month KIBOR ask rate plus 2.40%		December 17, 2016
Engro Fertilizer Limited - 3rd Issue	Semi-annually	6 Month KIBOR ask rate plus 1.55%		November 30, 2015
Jahangir Siddiqui Co. Ltd. 7th issue -related party	Semi-annually	6 Month KIBOR ask rate plus 2.40%		October 30, 2016
Orix Leasing Pakistan Limited	Quarterly	3 Month KIBOR ask rate plus 2.15 %.		June 30, 2014
Pakistan Mobile Communication Limited	Quarterly	3 Month KIBOR ask rate plus 2.65%		April 18, 2016
Tameer Sarmaya Certificate-1st Issue	Monthly	12% per annum		January 28, 2014
Tameer Sarmaya Certificate-2nd Issue	Monthly	12.5% per annum		December 28, 2014
United Bank Limited 3rd Issue	Semi-annually	6 Month KIBOR ask rate plus 1.70%		September 08, 2014
Available-for-sale securities				
Allied Bank Limited - 2nd issue	Semi-annually	6 Month KIBOR ask rate plus 0.85% (for first five years)		August 28, 2019
Askari Bank Limited - 3rd Issue	Semi-annually	6 Month KIBOR ask rate plus 2.50% (for first five years)		November 18, 2019
Engro Fertilizer Limited - 1st Issue	Semi-annually	6 Month KIBOR ask rate plus 1.55%		November 30, 2015
Engro Fertilizer Limited - 3rd Issue	Semi-annually	6 Months KIBOR ask rate plus 2.40%		December 17, 2016
Faysal Bank Limited	Semi-annually	6 Month KIBOR ask rate plus 1.40%		November 12, 2014
Pakistan Mobile Communication Limited	Quarterly	3 Month KIBOR ask rate plus 2.65%		April 18, 2016
World Call Telecommunication Limited	Semi-annually	6 Month KIBOR ask rate plus 1.60%		October 07, 2013
Orix Leasing Pakistan Limited - 2nd Issue	Quarterly	3 Month KIBOR ask rate plus 2.15 %.		June 30, 2014

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

Name of the Company	No. of Certificates		Rating	Face value per certificate Rupees	Cost	
	2013 Numbers	2012 Numbers			2013 (Rupees in '000)	2012 (Rupees in '000)
Held-for-trading securities						
Bank Al Habib Limited 4th Issue	5960	-	AA	5,000	33,343	-
Bank Al Falah Limited - Fixed	-	950	AA-	-	-	5,029
Faysal Bank Limited	-	3,000	AA-	-	-	15,498
					33,343	20,527
Available-for-sale securities						
Agritech Limited - (note 11.2.7.2)	30,000	30,000	D	5,000	149,860	149,860
Askari Bank Limited - 4th Issue	75	75	AA-	1,000,000	75,207	75,256
Azgard Nine Limited (related party)	29,998	29,998	D	5,000	65,022	65,022
Azgard Nine Limited (related party) (privately placed TFCs - note 11.2.7.1)	-	12	D	5,000	326,456	326,456
Bank Alfalah Limited	1,440	30,000	AA-	5,000	7,237	10,067
Engro Fertilizer Limited	1,100	1,100	A	5,000	5,089	5,027
Independent Media Corporation (Pvt.) Limited	20,000	-	A+	4,750	95,000	-
Nishat Chunian Limited	50,000	50,000	A	5,000	109,375	171,875
Orix Leasing Pakistan Limited	-	3,395	AA+	100,000	-	56,525
Pakistan Mobile Communication Limited	20,000	20,000	Unrated	5,000	70,588	94,118
TPL Trakker Limited	-	1	A-	-	-	20,000
Water & Power Development Authority	100,000	-	AAA	5,000	500,000	-
					1,403,834	974,206

11.2.7.1 These PPTFCs are held by JS Global Capital Limited (subsidiary, the Company) has recognised full provision considering the financial position of the issuer amounting to Rs. 326.456 million (2012: 283.441).

11.2.7.2 The State Bank of Pakistan (SBP) vide its letter number BPRD/BRD(Policy)/2013-11339 dated July 25, 2013 has allowed the relaxation from PR-8 to the Bank from provision required in respect of the Bank's exposure in Agritech Limited. The provision is held at 50% of the required provision in these consolidated financial statements whereas the remaining provision will be made in phased manner at 60%, 75%, 85% and 100% by end of each quarter respectively till December 31, 2014. Had the relaxation not been granted by the SBP, the provision charge for the period would have been increased by Rs. 74.930 million.

Notes to the Consolidated Financial Statements

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

Name of the Company	Repayment frequency	Profit		Maturity Date
		Rate per annum		
Independent Media Corporation (Pvt.) Limited - (Chief Executive: Mr. Mir Ibrahim Rahman)	Quarterly	3 Month KIBOR ask rate plus 3.00%.		August 5, 2018
Water & Power Development Authority - (Chairman: Syed Raghیب Abbas Shah)	Semi-annually	6 Month KIBOR ask rate plus 1.00%.		September 27, 2021
Askari Bank Limited - (Chief Executive: Mr. M.R. Mehkari)	Semi-annually	6 Month KIBOR ask rate plus 1.75%.		December 23, 2021
Azgard Nine Limited - a related party (Chief Executive: Mr. Ahmed H. Shaikh)	Semi-annually	6 Month KIBOR ask rate plus 1.25%.		December 04, 2017
Agritech Limited (Chief Executive: Mr. Jaudet Bilal)	Semi-annually	6 Month KIBOR ask rate plus 1.75%.		December 31, 2014
Bank Alfalah Limited (Chief Executive: Mr. Atif Bajwa)	Semi-annually	6 Month KIBOR ask rate plus 2.50 %.		December 02, 2017
Engro Fertilizer Ltd. (Chief Executive: Mr. Ruhail Mohammad)	Semi-annually	6 Month KIBOR ask rate plus 1.70%.		March 18, 201
Nishat Chunian Limited (Chief Executive: Mr. Shahzad Saleem)	Quarterly	3 Month KIBOR ask rate plus 2.25%.		September 30, 2015
Pakistan Mobile Communication Limited (Chief Executive: Mr. Rashid Khan)	Quarterly	3 Month KIBOR ask rate plus 2.65%		October 16, 2016

11.2.8 Sukuk Certificates - unlisted

Name of the Company	No. of Certificates		Rating	Face value per certificate Rupees	Cost (Rupees in '000)	
	2013 Numbers	2012 Numbers			2013	2012
Available-for-sale securities						
Century Paper & Board Mills Limited	-	49,950	A+	5,000	-	97,378
Sitara Chemical Industries Limited	-	19,000	A+	5,000	-	7,916
					-	105,294

11.2.9 Closed End Mutual Funds

Name of the Funds Available-for-sale	Certificates		Rating	Face value per certificate Rupees	Cost (Rupees in '000)		Market value (Rupees in '000)	
	2013 Numbers	2012 Numbers			2013	2012	2013	2012
JS Value Fund - a related party	-	30,244,660	5-Star	10	-	479,034	-	272,202
JS Growth Fund	-	6,581,000	3-Star	10	-	663,032	-	421,807
PICIC Growth Fund	-	563,500	1-Star	10	-	9,046	-	9,241
PICIC Investment Fund	-	82,500	2-Star	10	-	584	-	583
					-	1,151,696	-	703,833

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11.2.10 Closed End Mutual Fund

Name of the Funds	Units		Rating	Net asset value per unit Rupees	Cost		Market value	
	2013 Numbers	2012			2013	2012 (Rupees in '000)	2013	2012
Held For Trading								
* JS Cash Fund	2,536,885	2,762,076	AA+	102.78	239,613	250,216	260,740	289,086
* JS Income Fund	3,939,805	3,593,972	A+	88.08	325,201	308,754	347,008	325,793
UBL Islamic Cash Fund	4,997,551	2,692	Unrated	10.00	50,000	269	50,000	275
UBL Liquidity Plus Fund	357,402	332,751	AA+	100.58	33,368	28,562	35,946	33,368
UBL Government Securities Fund	-	292,288	A+	100.76	-	25,000	-	29,450
NAFA Government Securities Liquid Fund	-	2,661,123	AAA	10.05	-	25,000	-	26,754
Primus Cash Fund	-	517,707	AAA	100.22	-	50,000	-	51,883
Primus Daily Reserve Fund**	-	-	AA+	-	-	200,000	-	200,000
NAFA Financial Sector Income Fund	-	2,419,409	A+	10.33	-	25,000	-	25,000
					648,182	912,801	693,694	981,609
Available-for-sale -related parties								
JS Value Fund (note 11.2.10.1)	3,137,966	-	4-Star	141.45	490,097	-	443,865	-
JS Growth Fund	5,814,246	-	3-Star	126.24	760,563	-	733,990	-
JS Fund of Funds	1,072,363	718,146	4-Star	47.64	36,844	65,000	51,087	65,502
JS Islamic Government Securities Fund	1,323,229	-	AA-f	101.12	126,678	-	133,807	-
JS Islamic Pension Savings Fund Equity	250,000	250,000	Unrated	331.94	25,000	25,000	82,985	53,193
JS Islamic Pension Savings Fund Debt	213,852	232,690	Unrated	168.33	21,385	23,269	35,998	36,470
JS Islamic Pension Savings Fund Money Market	222,303	236,585	Unrated	146.41	22,230	23,659	32,547	32,618
JS Pension Savings Fund Money Market	177,463	189,695	Unrated	153.97	17,746	18,970	27,324	26,940
JS Pension Savings Fund Debt	177,761	188,940	Unrated	179.52	17,776	18,894	31,912	33,269
JS Pension Savings Fund Equity	300,000	300,000	Unrated	254.61	30,000	30,000	76,383	41,808
JS Aggressive Income Fund	-	860,585	BBB-f	104.80	-	90,000	-	90,189
JS Islamic Fund	-	539,665	4-Star	56.73	-	30,000	-	30,615
JS KSE 30 Index Fund	-	3,259,827	-	20.82	-	68,000	-	67,870
JS Large Cap Fund-Class B	-	6,581,000	4-Star	59.72	-	373,040	-	393,017
					1,548,319	765,832	1,649,898	871,491

* Related parties

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

11.2.10.1 In compliance with the Regulation 65 of NBFC and Notified Entities Regulations 2008, the Fund has now been converted into an open end scheme and, accordingly the shares having par value of Rs. 10 each of JS Value Fund Limited were converted in units of par value of Rs. 100 each (i.e. 10:1). The Bank has recognized impairment on these units amounting to Rs. 68.216 million (2012: 68.216 million) as per BSD circular No. 04, 2009 dated February 13, 2009.

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11.2.11 Investment in US Dollar Bonds

Name of Bond	Rating	Coupon Rate %	Date of Maturity	Cost		Market value	
				2013	2012	2013	2012
----- (Rupees in '000) -----							
Available for sale							
BCO BTG Pactual	Baa3	4.00%	16-Jan-20	60,041	-	55,074	-
Power Grid India	BBB-	3.88%	17-Jan-23	97,307	-	90,813	-
Yapi Kredi Bankasi	Baa2	4.00%	22-Jan-20	104,887	-	94,286	-
Turkiye Halk Bankasi	Baa2	3.88%	5-Feb-20	65,187	-	58,340	-
Bank Pozitif	BBB-	5.00%	7-Feb-18	210,649	-	198,537	-
ADCB Fin Cayman	A	4.50%	6-Mar-23	52,233	-	51,030	-
Tanner S Financieros SA	BBB-	4.38%	13-Mar-18	52,413	-	50,635	-
IDBI Bank Ltd	Baa3	3.75%	25-Jan-19	94,614	-	87,741	-
Turk Vak Bank Tao (Turkiye Vakiflar Bankasi)	Baa2	3.75%	15-Apr-18	24,944	-	24,002	-
Ageas Capital Asia	A-	4.13%	25-Apr-23	72,957	-	69,416	-
Union Bank Of India Hk (Fin Katilim Bk) Turkiye Finans Via TF Va	Baa3	3.63%	25-Oct-18	104,929	-	100,897	-
Kazagro Natl Mgmt Hldng	BBB+	3.95%	2-May-18	21,065	-	20,217	-
Emirates NBD Tier 1	BBB+	4.63%	24-May-23	52,552	-	48,444	-
Indian Oil Corp Ltd	A+	5.75%	30-May-19	50,835	-	46,993	-
Banco Nacional	Baa3	5.75%	1-Aug-23	21,065	-	20,573	-
ICICI Bank Ltd	Baa3	4.88%	1-Nov-18	52,456	-	52,072	-
Emirates NBD PJSC	Baa2	4.80%	22-May-19	68,198	-	68,769	-
* FLR NTS Emirates NBD PJSC	A	5.00%	27-Nov-23	103,495	-	104,535	-
Tupras-Turkiye Petrol Ra	A+	3.55%	29-Mar-17	105,325	97,150	107,900	96,556
Indian Overseas Bank	BBB-	4.13%	2-May-18	26,287	24,238	25,278	24,196
SB Capital SA (Sber Bank)	Baa3	4.63%	21-Feb-18	105,513	99,079	104,575	99,705
Trkiye Bankasi	Baa3	5.13%	29-Oct-22	157,987	145,724	151,272	147,910
Allianz SE	BBB-	6.00%	24-Oct-22	21,065	19,430	18,706	20,620
Barclays Bank Plc	A2	5.50%	26-Sep-18	-	38,860	-	39,694
Finansbank AS	BBB-	7.63%	21-Nov-22	-	97,227	-	97,101
Investec Bank Ltd	BBB-	5.15%	1-Nov-17	-	96,231	-	96,898
Syndicate Bank	Baa1	3.88%	24-Jul-17	-	96,631	-	97,484
Turkiye Garanti Bank	Baa3	4.13%	12-Apr-18	-	48,374	-	49,308
	Baa2	4.00%	13-Sep-17	-	24,108	-	25,169
				1,726,004	787,052	1,650,105	794,641

11.2.12 These represent 520 and 8,890 secured certificates having face value of Rs.4,995 and Rs.5,000 per certificate respectively. These certificates carry fixed markup at the rate of 14.5% p.a payable semi-annually and mature on January 31, 2014 and September 15, 2014. These certificates have a credit rating of AA.

11.3 Particulars of provision for diminution in value of investments

	2013	2012
	----- (Rupees in '000) -----	
Opening balance	1,439,540	1,367,116
Charge for the year	87,973	87,332
Reversal on disposal of investments	(253,471)	(14,908)
	(165,498)	72,424
Closing balance	1,274,042	1,439,540

Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

	Note	2013 ----- (Rupees in '000) -----	2012 ----- (Rupees in '000) -----
11.3.1 Particulars of provision for diminution in value of investments by type and segment			
Available-for-sale			
Ordinary shares of listed companies		-	14,652
Preference shares of listed companies		88,353	95,503
Open ended mutual funds	11.2.10.1	784,303	1,015,972
Term Finance Certificates - unlisted		401,386	313,413
		1,274,042	1,439,540
11.4 Unrealized Gain / (Loss) on revaluation of investments classified as held for trading			
Market Treasury Bills		(9,929)	368
Pakistan Investment Bonds		2,317	-
National Saving Bonds		-	14
Ijara Sukuk		-	780
Term Finance Certificates-listed		1,884	227
Term Finance Certificates-unlisted		(1,282)	-
Ordinary shares of listed companies		120,636	-
Open ended mutual funds		45,512	68,127
		159,138	69,516
12. ADVANCES			
Loans, cash credit, running finances, etc.			
In Pakistan		32,490,432	19,322,043
Outside Pakistan		-	-
		32,490,432	19,322,043
Net investment in finance lease	12.2	582,682	388,725
Bills discounted and purchased (excluding treasury bills)			
payable in Pakistan		944,448	104,080
payable outside Pakistan		1,152,631	1,065,790
		2,097,079	1,169,870
Financing in respect of margin trading system		-	-
Advances - gross		35,170,193	20,880,638
Provision for non-performing advances - specific	12.3	(1,398,195)	(970,062)
Provision for non-performing advances - general	12.4	(2,990)	(1,191)
		(1,401,185)	(971,253)
Advances - net of provision		33,769,008	19,909,385
12.1 Particulars of advances (gross)			
12.1.1 In local currency		34,017,562	19,814,848
In foreign currency		1,152,631	1,065,790
		35,170,193	20,880,638
12.1.2 Short term (for up to one year)		32,396,713	18,718,609
Long term (for over one year)		2,773,480	2,162,029
		35,170,193	20,880,638

Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

12.2 Particulars of net investment in finance lease

	2013			2012		
	Not later than one year	Later than one and less than five years	Total	Not later than one year	Later than one and less than five years	Total
	(Rupees in '000)			(Rupees in '000)		
Lease rentals receivable	232,614	323,363	555,977	146,028	265,521	411,549
Guaranteed residual value	11,452	103,598	115,050	-	50,202	50,202
Minimum lease payments	244,066	426,961	671,027	146,028	315,723	461,751
Finance charges for future periods	(49,354)	(38,991)	(88,345)	(36,102)	(36,924)	(73,026)
Present value of minimum lease payments	194,712	387,970	582,682	109,926	278,799	388,725

12.3 Advances include Rs.2,758.377 (December 31, 2012: Rs.3,037.264) million which have been placed under non-performing status as detailed below:

Category of classification	Note	2013				
		Domestic	Overseas	Total	Provision required	Provision held
		(Rupees in '000)				
Other assets especially mentioned		-	-	-	-	-
Substandard		414,666	-	414,666	50,016	50,016
Doubtful		34,269	-	34,269	3,361	3,361
Loss		2,309,442	-	2,309,442	1,344,818	1,344,818
	12.3.1	2,758,377	-	2,758,377	1,398,195	1,398,195

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

12.3.1 The State Bank of Pakistan (SBP) vide its letter number BPRD/BRD(Policy)/2013-11339 dated July 25, 2013 has allowed the relaxation from PR-8 to the Bank from provision required in respect of the Bank's exposure in Agritech Limited. The provision is held at 50% of the required provision in these consolidated financial statements whereas the remaining provision will be made in phased manner at 60%, 75%, 85% and 100% by end of each quarter respectively till December 31, 2014. Had the relaxation not been granted by the SBP, the provision charge for the period would have been increased by Rs. 250.894 million net of benefit of forced sale value.

12.4 Particulars of provision against non-performing advances

	2013			2012		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)			(Rupees in '000)		
Opening balance	970,062	1,191	971,253	512,666	1,083	513,749
Charge for the year (note 12.4.1)	571,118	1,799	572,917	488,202	108	488,310
Amounts written off / reversals	(142,985)	-	(142,985)	(30,806)	-	(30,806)
	428,133	1,799	429,932	457,396	108	457,504
Closing Balance	1,398,195	2,990	1,401,185	970,062	1,191	971,253
In local currency	1,398,195	2,990	1,401,185	970,062	1,191	971,253
In foreign currencies	-	-	-	-	-	-
	1,398,195	2,990	1,401,185	970,062	1,191	971,253

Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

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

12.5 The Bank has availed total benefit of collateral amounting to Rs.782.624 million (2012: 544.734 million) under the directives of the SBP. Had the benefit not been taken the provision charge for the year would have increased by Rs.237.890 million (2012: 544.734 million) and profit after tax would have been reduced by Rs. 154.628 million (2012: 354.077 million). As required by the SBP directives, the increase in profit will not be available for distribution as dividend or other appropriations.

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

In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to a person during the year ended December 31, 2013 is given in Annexure 'I' to these financial statements. These loans are written-off as a book entry without prejudice to the Bank's right of recovery against the customers.

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

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

	Note	2013 ----- (Rupees in '000) -----	2012 ----- (Rupees in '000) -----
Balance at the beginning of the year		647,267	324,979
Loans granted during the year		381,906	429,137
Repayments		(150,745)	(106,849)
Balance at the end of the year		<u>878,428</u>	<u>647,267</u>
13. OPERATING FIXED ASSETS			
Capital work-in-progress	13.1	283,078	66,014
Property and equipment	13.2	1,819,042	1,619,054
Intangible assets	13.3	1,648,664	1,727,099
		<u>3,750,784</u>	<u>3,412,167</u>
13.1 Capital work-in-progress			
Property and equipment			
Civil works		20,987	13,695
Advances for purchase of building		200,823	-
Advances for purchase of furniture & fixtures		2,402	1,870
Advance for purchase of vehicles		7,639	23,712
Advance for purchase of equipment		51,227	26,737
		<u>283,078</u>	<u>66,014</u>

Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

13.2 Property and equipment

	Cost			Accumulated Depreciation				Book value as at December 31, 2013	Rate %	
	As at January 01, 2013	Additions / Adjustments	Deletions	As at December 31, 2013	As at January 01, 2013	Depreciation Deletions / Adjustments	Charge for the year			As at December 31, 2013
(Rupees in '000)										
Land, Freehold	119,367	-	-	119,367	-	-	-	-	119,367	-
Building on free hold land	55,478	-	-	51,716	2,007	-	522	2,220	49,496	1.01
		(3,762)				(309)				
Building on lease hold land	480,931	1,400	-	486,230	89,720	-	14,229	111,303	374,927	1.02 - 4.78
		3,899				7,354				
Lease hold improvements	493,375	69,971	(2,285)	560,924	184,792	(391)	50,664	228,020	332,904	10
		(137)	-			(7,045)				
Furniture and fixture	241,535	35,119	(102)	276,552	109,205	(96)	29,641	138,750	137,802	10 - 12.5
		-								
Electrical, office and computer equipment	1,045,543	258,623	(7,164)	1,297,002	658,212	(6,132)	116,803	768,883	528,119	12.5 - 33.3
		-								
Vehicles	367,826	139,997	(71,210)	436,613	141,065	(56,506)	75,627	160,186	276,427	20
	<u>2,804,055</u>	<u>505,110</u>	<u>(80,761)</u>	<u>3,228,404</u>	<u>1,185,001</u>	<u>(63,125)</u>	<u>287,486</u>	<u>1,409,362</u>	<u>1,819,042</u>	

	Cost			Accumulated Depreciation				Book value as at December 31, 2012	Rate %	
	As at January 01, 2012	Additions / Adjustments	Deletions	As at December 31, 2012	As at January 01, 2012	Depreciation Deletions / Adjustments	Charge for the year			As at December 31, 2012
(Rupees in '000)										
Land, Freehold	117,026	2,341	-	119,367	-	-	-	-	119,367	-
Building on free hold land	55,478	-	-	55,478	1,124	-	883	2,007	53,471	1.01
Building on lease hold land	480,931	-	-	480,931	80,848	-	8,872	89,720	391,211	1.02 - 4.78
Lease hold improvements	478,221	41,350	-	493,375	146,833	-	47,937	184,792	308,583	10
		(26,196)	-			(9,978)				
Furniture and fixture	198,203	34,923	(181)	241,535	81,483	(181)	24,434	109,205	132,330	10 - 12.5
		8,590	-			3,469				
Electrical, office and computer equipment	912,483	121,104	(5,650)	1,045,543	558,344	(3,353)	96,712	658,212	387,331	12.5 - 33.3
		17,606	-			6,509				
Vehicles	269,221	168,073	(69,468)	367,826	135,743	(47,799)	53,121	141,065	226,761	20
	<u>2,511,563</u>	<u>367,791</u>	<u>(75,299)</u>	<u>2,804,055</u>	<u>1,004,375</u>	<u>(51,333)</u>	<u>231,959</u>	<u>1,185,001</u>	<u>1,619,054</u>	

13.2.1 Included in cost of property and equipment are fully depreciated items still in use having cost of Rs.369.283 million (December 31, 2012: Rs.437.112 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 "III" of these consolidated financial statements.

Notes to the Consolidated Financial Statements

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13.3 Intangible assets

Note	Cost			Accumulated Amortisation				Book value as at December 31, 2013	Rate %
	As at January 01, 2013	Additions	Deletions	As at December 31, 2013	As at January 01, 2013	Amortisation on Deletions	Charge for the year		
	(Rupees in '000)								
Stock exchange card	32,000	-	(32,000)	-	-	-	-	-	-
Trading right entitlement certificate (TREC)	-	5,727	-	5,727	-	-	-	5,727	-
Membership card - Pakistan Mercantile Exchange Limited	3,500	-	-	3,500	-	-	-	3,500	-
Rights of ICP Mutual Funds	175,000	-	-	175,000	70,000	-	105,000	175,000	-
Computer software	225,162	74,313	-	299,475	102,187	-	21,475	123,662	10 - 50
Goodwill	1,463,624	-	-	1,463,624	-	-	-	1,463,624	-
	1,899,286	80,040	(32,000)	1,947,326	172,187	-	126,475	298,662	1,648,664

	Cost			Accumulated Amortisation				Book value as at December 31, 2012	Rate %
	As at January 01, 2012	Additions	Deletions	As at December 31, 2013	As at January 01, 2012	Amortisation on Deletions	Charge for the year		
	(Rupees in '000)								
Stock exchange card	32,000	-	-	32,000	-	-	-	-	32,000
Membership card - Pakistan Mercantile Exchange Limited	3,500	-	-	3,500	-	-	-	-	3,500
Rights of ICP Mutual Funds	175,000	-	-	175,000	70,000	-	-	70,000	105,000
Computer software	213,514	11,648	-	225,162	83,005	-	19,182	102,187	122,975
Goodwill	1,463,624	-	-	1,463,624	-	-	-	-	1,463,624
	1,887,638	11,648	-	1,899,286	153,005	-	19,182	172,187	1,727,099

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

13.3.2 Intangible asset in respect of Management Rights of ICP Mutual Funds represents amount paid for the acquisition of the management rights of 12 ICP Mutual Funds under a Management Rights Transfer Agreement between the Company, Privatisation Commission, Government of Pakistan and Investment Corporation of Pakistan in October 2002. These funds were consolidated into ABAMCO Stock Market Fund, ABAMCO Growth Fund and ABAMCO Capital Fund and then merged to form JS Growth Fund (the Fund) in 2006.

The amortization of management rights was discontinued with effect from July 01, 2006 based on opinion from Company's legal advisors in respect of the Company's rights and obligations under the aforementioned Management Rights Transfer Agreement and on analysis of the relevant factors prevailing at the time.

During the current year, in pursuance of Regulation 65 of the Non-Banking Finance Companies and Notified Entities Regulations 2008, JS Growth Fund has been converted from a closed end scheme to an open end fund with effect from July 20, 2013. Due to change in legal status of the Fund, the management rights could not be directly or indirectly associated with the economic benefits derived from the Fund. Therefore, the outstanding balance of the rights (Rs. 105 million) has been impaired and charged to profit and loss account.

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.

Notes to the Consolidated Financial Statements

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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 projections approved by the Board of Directors of the Bank covering a five year period. The discount rates applied to cash flows beyond the five year period are extrapolated using a terminal growth rate. The following rates are used by the Bank.

	2013	2012
	Percentages	
Discount rate	21.62	21.29
Terminal growth rate	10.00	10.00

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

(a) Interest margins

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

(b) Discount rates

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

(c) Key business assumptions

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

(d) Sensitivity to changes in assumptions

The estimated recoverable amount of the 'Trading and Sales' CGU exceeds its carrying amount by approximately Rs. 714.102 million. Management has identified two key assumptions for which there could be a reasonably possible change that could cause the carrying amount to exceed the recoverable amount. The following table shows the amount that these two assumptions are required to change individually in order for the estimated recoverable amount to be equal to the carrying amount:

Change required for carrying amount to equal recoverable amount

	2013	2012
	Percentages	
Cost of equity	1.95	1.79
Terminal growth rate	(3.18)	(2.86)

Note	2013	2012
	----- (Rupees in '000) -----	

14. DEFERRED TAX ASSETS

Deferred tax debits arising from:

Unused tax losses	14.2	1,019,506	1,023,300
Provision against investments		81,025	318,918
Provision against loans and trade debts		236,343	-
Minimum tax	14.3	160,075	81,968
Provision for workers' welfare fund		31,648	-
Surplus / (deficit) on revaluation of investment classified assets as available for sale		110,464	(97,640)
		1,639,061	1,326,546

Deferred tax credits arising due to:

Fixed assets	(182,948)	(152,772)
Goodwill	(358,588)	(307,361)
Unrealized gain on revaluation of investment classified as held for trading	(40,978)	(6,527)
Unrealized (gain) / loss on revaluation of derivative financial instruments	(3,589)	818
	(586,103)	(465,842)
	1,052,958	860,704

Notes to the Consolidated Financial Statements

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14.1 Movement in temporary differences during the year:

	Balance as at January 01, 2012	Recognised in profit and loss account	Recognised in Equity	Recognised in business combination	Balance as at December 31, 2012	Recognised in profit and loss account	Recognised in Equity	Balance as at December 31, 2013
----- (Rupees in '000) -----								
Deferred tax debits arising from:								
Unused tax losses	1,248,585	(265,357)	-	40,072	1,023,300	(3,794)	-	1,019,506
Provision against investments	54,573	18,347	-	-	72,920	8,105	-	81,025
Provision against loans and trade debts	199,472	46,126	-	400	245,998	(9,655)	-	236,343
Minimum tax (note. 14.3)	86,140	(4,172)	-	-	81,968	78,107	-	160,075
Provision for workers' welfare fund	-	-	-	-	-	31,648	-	31,648
Deferred cost	235	(235)	-	-	-	-	-	-
Provision for gratuity	26,371	(26,371)	-	-	-	-	-	-
Surplus / (deficit) on revaluation of investment classified assets as available for sale	12,593	-	(110,233)	-	(97,640)	-	208,104	110,464
	1,627,969	(231,662)	(110,233)	40,472	1,326,546	104,411	208,104	1,639,061
Deferred tax credits arising due to:								
Fixed assets	(139,284)	106	-	(13,594)	(152,772)	(30,176)	-	(182,948)
Goodwill	(256,134)	(51,227)	-	-	(307,361)	(51,227)	-	(358,588)
Unrealized gain of revaluation of investment classified as held for trading	1,053	(7,580)	-	-	(6,527)	(34,451)	-	(40,978)
Unrealized (gain) / loss on revaluation of derivative financial instruments	(1,436)	2,254	-	-	818	(4,407)	-	(3,589)
Share of profit from associate	(3,412)	3,412	-	-	-	-	-	-
	(399,213)	(53,035)	-	(13,594)	(465,842)	(120,261)	-	(586,103)
	1,228,756	(284,697)	(110,233)	26,878	860,704	(15,850)	208,104	1,052,958

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

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

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	Note	2013 ----- (Rupees in '000) -----	2012
15. OTHER ASSETS			
Income / mark-up accrued in local currency	15.1	1,302,668	708,162
Income / mark-up accrued in foreign currency		28,501	10,236
Trade receivable form brokerage & advisory business -net	15.2, 15.3 & 15.4	303,233	564,277
Advances, deposits, advance rent and other prepayments		297,171	207,558
Taxation (payments less provision)		77,784	171,120
Receivable against bancaassurance from a related party		20,935	15,541
Stationery and stamps on hand		3,464	3,148
Prepaid exchange risk fee		507	505
Balances due from funds under management		16,073	20,666
Unrealised gain on forward foreign exchange contracts - net		10,254	-
Receivable from other banks in respect of remittance	15.5	255,917	257,675
Non-banking assets acquired in satisfaction of claims	15.6	21,823	-
Others		79,490	30,150
		2,417,820	1,989,038

15.1 Included herein an amount of Rs. 7.842 million (2012: 17.051 million) due from related parties.

15.2 Included herein is a sum of Rs. 1.011 million (2012: Rs. 13.627 million) receivable from related parties.

15.3 Provision for trade receivable form brokerage & advisory business

Opening balance as at January 01,	396,374	421,801
Charged during the year / period	1,299	-
Reversed during the year / period	-	(25,427)
	1,299	(25,427)
Closing Balance as at December 31	397,673	396,374

15.4 During the current year, JS Global Capital Limited (Subsidiary, the Company) has provided margin financing facility to customers under the Securities (Leveraged Markets and Pledging) Rules, 2011 issued by the SECP. In this connection, the Company has been registered as authorized margin financier vide Fourth Addendum to Agreement between the Company and National Company of Pakistan Limited (NCCPL) dated April 09, 2013 for financing the purchase of shares on behalf of clients. Interest is charged at 16% of the outstanding balance of the finance.

15.5 This includes an amount of Rs. 197.115 million (2012: 204.985 million) receivable from State Bank of Pakistan in respect of home remittance services provided by the Bank.

15.6 Non banking assets acquired in satisfaction of claims

Market value of non-banking assets acquired in satisfaction of claims	38,419	-
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Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

	Note	2013	2012
		----- (Rupees in '000) -----	
16. BILLS PAYABLE			
In Pakistan		1,409,681	708,734
Outside Pakistan		5,112	5,013
		<u>1,414,793</u>	<u>713,747</u>
17. BORROWINGS			
In Pakistan		20,146,703	8,655,976
Outside Pakistan		4,143	48,709
		<u>20,150,846</u>	<u>8,704,685</u>
17.1 Particulars of borrowings with respect to currencies			
In local currency		20,146,703	8,655,976
In foreign currencies		4,143	48,709
		<u>20,150,846</u>	<u>8,704,685</u>
17.2 Details of borrowings from financial institutions			
Secured			
Borrowing from SBP under export refinancing scheme	17.2.1	1,976,100	1,023,474
Repurchase agreement borrowings	17.2.2	17,180,603	7,281,278
Short-term running finance	17.2.3	-	251,224
		<u>19,156,703</u>	<u>8,555,976</u>
Unsecured			
Call borrowings	17.2.4	990,000	100,000
Overdrawn nostro accounts	17.2.5	4,143	48,709
		<u>994,143</u>	<u>148,709</u>
		<u>20,150,846</u>	<u>8,704,685</u>

17.2.1 The Bank has entered into agreement with the State Bank of Pakistan (SBP) for extending export finance to customers. As per the terms of the agreement, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of finances by directly debiting the current account maintained by the Bank with SBP. These borrowings are repayable on a quarterly basis and carry mark-up at the rate of 8.4% (2012: 8.50% to 10%) per annum.

17.2.2 This represents collateralised borrowing from SBP and other financial institutions against Market Treasury Bills carrying mark-up at the rate ranging between 10.00% to 10.50% (2012: 8.80% to 8.86%) per annum and would mature up to January 03, 2014 (2012: January 04, 2013).

17.2.3 This represents running finance facilities availed by a subsidiary company with a total limit of Rs. 500 million obtained from commercial banks. The facilities carry mark-up of 2% and 1.75% over 3 months KIBOR rate which shall be reviewed on quarterly basis. Mark-up is payable on quarterly basis. The facilities are secured by way of Equitable mortgage of office premises and pledge of shares / certificates of funds under management.

17.2.4 These represent call money borrowings from financial institutions, carrying interest at the rate of 9.00% (2012: 8.5%) per annum.

17.2.5 This represents borrowings from financial institutions outside Pakistan.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

18. DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	25,729,940	20,771,890
Savings deposits	24,082,503	17,360,619
Current accounts - non-remunerative	22,146,983	16,841,045
Margin account	484,583	317,491
	72,444,009	55,291,045

Financial Institutions

Remunerative deposits	7,515,047	6,420,235
Non-remunerative deposits	96,220	223,507
	7,611,267	6,643,742

18.1 Particulars of deposits

In local currency	73,909,009	58,052,891
In foreign currencies	6,146,267	3,881,896
	80,055,276	61,934,787

19. OTHER LIABILITIES

	2013	2012 (Restated)
	----- (Rupees in '000) -----	
Mark-up / return / interest payable in local currency	548,020	474,495
Mark-up / return / interest payable in foreign currency	13,184	8,629
Accrued expenses	294,254	302,082
Trade payable from brokerage business	261,169	265,843
Securitisation of management fee	660	169,559
Payable in respect of defined benefit plan	1,289	11,357
Customer insurance payable	6,863	2,997
Unrealised loss on forward foreign exchange contracts - net	-	2,337
Unclaimed dividends	14,552	8,263
Donation payable	10,000	14,000
Lease key money deposit	115,050	50,202
Provision for Workers' Welfare Fund - WWF	102,151	39,948
Government duties	40,431	32,818
Payable against remittance	241,611	169,619
SSC / DSC Sale Payable	-	8,000
Staff reimbursements payable	8,255	6,770
ATM Charges payable	5,396	5,903
Payable against export bill	677	5,110
Retention money payable	1,737	6,210
Payable against maintenance of IT equipment	2,413	3,630
Payable to VISA on transaction settlements	16,048	8,593
Others	136,516	122,645
	1,820,276	1,719,010

19.1 Included herein is a sum of Rs. 9.938 million (2012: Rs.46.516 million) payable to related parties.

19.2 Included herein is a sum of Rs. 17.638 million (2012: Rs. 1.410 million) payable to related parties.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

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

Aggrieved by the amendments made through the Finance Act, certain stakeholders filed petition against the changes in the Lahore High Court which struck down the aforementioned amendments to the WWF Ordinance in 2011. However, some stakeholders also filed the petition in the Sindh High Court which, in 2013, decided the petition against stakeholders. The Group has decided to file the petition in the Higher Court against the changes. On prudent basis, the Group has recognized aggregate provision as per Finance Act, 2008.

19.4 Included herein sum of Rs. 19.782 million payable against Federal Excise Duty (FED) on the management fees received/receivable from the funds under management by JS Investments Limited. The amount is being held for payment to Federal Board of Revenue on basis of stay order of the Honorable High Court of Sindh dated September 4, 2013. The stay order was a result of petition filed by asset management companies on the forum of MUFAP against the amendment in Finance Act 2013 which levied FED on the fees received by asset management companies from funds under management.

20. SHARE CAPITAL

20.1 Authorised capital

2013	2012		2013	2012
(Rupees in '000)			(Rupees in '000)	
1,350,000,000	1,500,000,000	Ordinary shares of Rs.10 each	13,500,000	15,000,000
150,000,000	-	Convertible preference shares of Rs. 10 each	1,500,000	-
<u>1,500,000,000</u>	<u>1,500,000,000</u>		<u>15,000,000</u>	<u>15,000,000</u>

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

2013	2012		Note	2013	2012
(Rupees in '000)				(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	1.2	5,339,053	5,339,053
<u>1,072,464,262</u>	<u>1,072,464,262</u>			<u>10,724,643</u>	<u>10,724,643</u>

20.2.1 Subsequent to the year end on February 19, 2014, the Bank has issued 150 million un-listed, convertible, irredeemable, perpetual, non-cumulative, non-voting preference shares of Rs. 10 each which qualified for Additional Tier I Capital under Basel III requirement.

21. (DEFICIT) / SURPLUS ON REVALUATION OF ASSETS - net of tax

Available-for-sale securities:

Term Finance Certificates - listed		(54,040)	(70,227)
Ordinary shares - listed		142,435	213,217
Preference shares - listed		21,003	14,507
Closed end mutual funds		-	110,632
Open end mutual funds		583,787	32,579
US dollar bonds		(75,899)	7,589
Government securities		(447,059)	72,389
		<u>170,227</u>	<u>380,686</u>
Related deferred tax asset / (liability)	21.1	110,464	(97,640)
		<u>280,691</u>	<u>283,046</u>
Group's share		49,433	234,381
Non-controlling interest		231,258	48,665
		<u>280,691</u>	<u>283,046</u>

21.1 This represents deferred tax assets / (liability) relates to JS Bank Limited, the Holding Company.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

23.1 Product Analysis

	2013 Cross Currency Swaps		2012 Cross Currency Swaps	
	Contracts Numbers	Notional Principal Rupees '000	Contracts Numbers	Notional Principal Rupees '000
With Banks for				
Hedging	2	1,084,500	-	-
Market Making	-	-	-	-
	2	1,084,500	-	-

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

23.2 Maturity Analysis**Interest Rate Swaps and Forward Rate Agreements**

Remaining Maturity	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
Upto 1 month	-	-	-	-	-
1 to 3 months	-	-	-	-	-
3 to 6 months	-	-	-	-	-
6 month to 1 Year	-	-	-	-	-
1 to 2 Year	-	-	-	-	-
2 to 3 Years	2	1,084,500	(42,738)	46,837	4,099
3 to 5 Years	-	-	-	-	-
5 to 10 years	-	-	-	-	-
Above 10 Years	-	-	-	-	-

24. MARK-UP / RETURN / INTEREST EARNED**On loans and advances to:**

	2013	2012
Customers	2,738,904	2,561,243
Financial institutions	42,408	54,881

On investments in:

Available-for-sale securities	2,396,954	2,301,054
Held-for-trading securities	1,522,918	1,102,886

On deposits with financial institutions

On securities purchased under resale agreements	2,373	1,820
	265,998	146,426
	6,969,555	6,168,310

25. MARK-UP / RETURN / INTEREST EXPENSED

Deposits	3,832,775	3,239,571
Securities sold under repurchase agreements	453,971	352,641
Borrowings	211,960	134,459
Term Finance Certificates	13,855	-
Mark-up and other charges of securitisation of management fee receivables	-	5,062
	4,512,561	3,731,733

Notes to the Consolidated Financial Statements

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	Note	2013	2012
		----- (Rupees in '000) -----	
26. FEE, COMMISSION AND BROKERAGE INCOME			
Advisory fee		62,391	58,225
Brokerage income		239,921	203,528
Trustee fee		3,295	9,487
Management fee		224,800	34,896
Other fees, commission and charges	26.1	594,980	512,654
		1,125,387	818,790

26.1 This includes Rs. 87.493 million (2012: 84.650 million) in respect of commission income from home remittance services provided by the Bank. The amount is received from State Bank of Pakistan at the rate of Saudi Riyal 25 per transaction over USD 100 and is shared between the Bank and various exchange companies as per terms of agreement with them.

	Note	2013	2012
		----- (Rupees in '000) -----	
27. GAIN ON SALE OF SECURITIES - net			
Federal Government Securities			
- Treasury Bills		53,626	264,523
- Pakistan Investment Bonds		128,115	400,051
- Ijara Sukuk Certificates		151	60,135
Ordinary shares - listed		33,289	90,636
Term Finance Certificates		7,495	(27,914)
US Dollar Bonds		(3,749)	56,658
Mutual Fund Units / Certificates	27.1	306,466	94,576
		525,393	938,665

27.1 Included herein a sum of Rs. 290.735 million (2012: Rs.33.95 million) representing gain arising on sale of shares / units of a related party.

	Note	2013	2012
		----- (Rupees in '000) -----	
28. OTHER INCOME			
Gain on sale of fixed assets		46,539	46,350
Late payment charges		1,382	14,125
Rental income from properties		14,860	2,389
Gain on remeasurement of future equity derivatives		3,704	-
Others		64,689	1,692
		131,174	64,556

Notes to the Consolidated Financial Statements

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	Note	2013	2012
		----- (Rupees in '000) -----	
29. ADMINISTRATIVE EXPENSES			
Salaries, wages, allowances, etc.		1,374,193	1,141,489
Charge for defined benefit plan	36.5	14,566	21,565
Contribution to defined contribution plan		57,933	41,810
Non-executive directors' fee, allowances and other expenses		830	3,613
Contractor wages		144,686	116,733
Brokerage, fee and commission		23,285	14,630
Royalty	29.1	20,000	11,667
Rent, taxes, insurance, electricity, etc.		604,354	472,798
Legal and professional charges		34,168	35,442
Donations	29.2	22,546	14,000
Communication		66,770	70,172
Ijarah rentals		2,234	-
Repairs and maintenance		331,229	318,175
Travel and other related expenses		39,589	32,369
Stationery and printing		87,331	57,399
Advertisement and publicity		101,764	54,428
Postage and courier service		21,395	15,825
Stamp duty		9,469	4,704
CDC and other charges		2,423	1,884
Bank charges and clearing house charges		52,802	42,677
Consultancy fee		47,403	40,163
Security services		88,396	52,850
Fees and subscription		40,549	27,027
Auditors' remuneration	29.3	5,913	6,619
Depreciation	13.2	287,486	231,959
Amortisation of intangible assets	13.3	21,475	19,182
Impairment of intangible asset	13.3	105,000	-
Staff training		3,894	4,519
Others		36,154	32,526
		3,647,837	2,886,225

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

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

	Note	2013	2012
		----- (Rupees in '000) -----	
29.3 Auditors' Remuneration			
Audit fee		2,790	2,495
Half-yearly review		1,002	400
Special certification and Tax Fee		1,477	3,448
Out of pocket expenses		644	276
		5,913	6,619
30. OTHER PROVISIONS / WRITE OFFS			
Workers welfare fund (WWF)	30.1	63,662	37,961
Reversal of provision against doubtful debt	15.3	-	(25,427)
		63,662	12,534

30.1 This includes provision held against workers welfare fund (WWF) @ 2% of the higher of profit before tax or taxable income under Workers Welfare Ordinance, 1971.

31. OTHER CHARGES

	2013	2012
	----- (Rupees in '000) -----	
Penalties imposed by State Bank of Pakistan	544	1,737
Reversal of excess provision	-	(4,367)
	544	(2,630)

Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

32. TAXATION

32.1 JS Bank (Holding Company, the Bank)

- 32.1.1** In view of tax losses of the Bank tax provision has been made for minimum taxation @ 1% (2012: 0.5%) under section 113 of the Income Tax Ordinance, 2001
- 32.1.2** The Bank has revised the income tax returns for the tax years 2010 and 2011 claiming back the minimum tax charged for the said years on account of gross losses in those years.
- 32.1.3** Under Section 114 of the Income Tax Ordinance, 2001, the Bank has filed the tax returns for the tax years 2006 through 2013. The said returns are deemed to be assessed under the provisions of prevailing income tax laws as applicable in Pakistan. However, tax authorities have issued notices for the amendment of assessments for the tax year 2008 to 2012. Since such proceedings have not yet been concluded by the authorities, therefore any estimate of tax exposure cannot be determined at this stage.

During the year, the Deputy Commissioner Inland Revenue ("the DCIR") has passed the combined Assessment Order claiming short payment of the Federal Excise Duty (FED) on services categorized under the head "brokerage services / commission / fee" for the periods from January 01, 2007 to December 31, 2010 ignoring the fact that the periods from January 2007 to August 2008 is already time-barred under section 14 of the Federal Excise Act, 2005 since the respective SCN was issued on August 29, 2013. Management and tax advisor believe that amounts and periods considered in adjudication / assessment were erroneous which were neither based on the amounts and period given in the show-cause notice nor based on the respective financial statements. However, an appeal was filed against the order and subsequently the CIR Appeals has remanded back the order.

Tax department has initiated monitoring of withholding taxes in respect of short deduction of tax on salaries under section 149. Thereafter ex-party orders have been passed whereby tax demands of Rs.1.503 million and Rs.1.641 million for the tax years 2011 and 2012 have been raised. The Bank has applied for rectification of the orders, contending no tax withholding default, and further has also filed appeal to the CIR - Appeals. Management and tax advisor believes that demands raised would not be sustained, and are hopeful that the same would be held annulled in the decision of appeal.

Furthermore, monitoring of withholding taxes under section 153, 155 and 156(2) for the tax year 2010 have been initiated which are still under process.

With regard to the Bank's AJK operations, the Commissioner has issued notice to select the return filed for the Tax Year 2011. Proceedings are under progress and ultimate liability cannot be ascertained reasonably at this point of time.

32.2 JS Global Capital Limited (Subsidiary, the Company)

- 32.2.1** Except for the tax year 2005 and the tax year 2009, income tax assessments have been filed and are deemed to have been assessed under the Income Tax Ordinance, 2001 unless selected by the taxation authorities for audit purposes.

The tax year 2005 has been selected for audit and the proceedings are pending in the RTO.

For the tax year 2009, the ITRA No. 07/2013 filed by the Commissioner Inland Revenue against the order passed by the Learned Appellate Tribunal Inland Revenue in ITA No. 923/KB/2011 dated August 28, 2011 relating to apportionment of expenses, allowability of expenses and claiming of tax deducted at source is pending for hearing before the Honorable High Court of Sindh at Karachi. The case was fixed for hearing on May 06, 2013 then on November 20, 2013. On both dates, the case was discharged for want of time. Next hearing date is fixed on January 28, 2014.

- 32.2.2** During the current year, Federal Government has reduced income tax rate for non-banking companies from 35% to 34%. This amendment was introduced through Finance Act, 2013.

32.3 JS Investments Limited (Subsidiary, the Company)

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

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

The Group has filed second appeal in Appellate Tribunal Inland Revenue in respect of disallowances.

Appeal effect of the CIR (Appeals) order in both the years received as a result the demand were reduced at Rs. 77.33 and Rs. 59.93 million respectively however, the direction of apportionment of expenditure according to actual incurrence of expenditure to the various sources of income was not followed. The Group again filed appeals before the CIR (Appeals) against the above orders.

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

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

		2013	2012
		----- (Rupees in '000) -----	
33. EARNINGS PER SHARE - BASIC AND DILUTED			
Profit for the year after taxation - as restated	Rupees in '000	474,496	722,593
Weighted average number of Ordinary shares outstanding during the year	Numbers	1,072,464,262	1,012,293,818
Earnings per share - basic and diluted	Rupee	0.44	0.71

Diluted earnings per share has not been presented as the Group does not have any convertible instruments in issue at December 31, 2012 and 2013 which would have any effect on the earnings per share if the option to convert is exercised.

		2013	2012
		----- (Rupees in '000) -----	
34. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	8	7,775,070	5,026,782
Balances with other banks	9	542,126	1,195,024
Overdrawn nostro account	17.2.5	(4,143)	(48,709)
		8,313,053	6,173,097
35. STAFF STRENGTH			
		----- (Numbers) -----	
Permanent		1,493	1,242
Temporary / on contractual basis		78	84
Own staff strength at the end of the year		1,571	1,326
Third party contract		737	619
		2,308	1,945

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36. DEFINED BENEFIT PLAN

36.1 General description

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

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, employers. The trustees of the gratuity fund are responsible for the investment policy with regard to the assets of the fund.

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

- Salary increase risk:

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

- Discount rate risk

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

- Mortality / withdrawal risk:

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

- Investment risk

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

- Maturity profile

The weighted average duration of the defined benefit obligation works out to 7.42 years.

36.3 Number of employees under the schemes

The number of employees covered under defined benefit scheme is 1,303 (2012:1,062).

36.4 Principal actuarial assumptions

Principal actuarial assumptions at the end of the reporting period expressed as weighted averages. The actuarial valuations were carried out on December 31, 2013 based on the Projected Unit Credit Method, using the following significant assumptions:

		2013	2012
Valuation discount rate	per annum	12.50%	11.50%
Expected return on plan assets	per annum	12.50%	11.50%
Future salary increase rate	per annum	12.50%	11.50%
Normal retirement age	years	60	60

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

	Defined benefit obligations		Fair value of plan assets		Net defined benefit liability (asset)	
	2013	2012 (Restated)	2013	2012 (Restated)	2013	2012 (Restated)
	----- (Rupees in '000) -----					
Balance as at January 01,	91,269	75,346	79,911	-	11,358	75,346
Effects of change in accounting policy (note 6.23)	-	(13,946)	-	-	-	(13,946)
Balance as at January 01, as restated	91,269	61,400	79,911	-	11,358	61,400
Included in profit or loss						
Current service cost	29,816	27,745	-	-	29,816	27,745
Interest cost	9,645	7,600	10,488	6,750	(843)	850
Curtailment gains	(14,407)	(4,405)	-	-	(14,407)	(4,405)
Effects of change in accounting policy (note 6.23)	-	-	-	2,625	-	(2,625)
	25,054	30,940	10,488	9,375	14,566	21,565
Included in other comprehensive income						
Actuarial gains / losses arising from:						
- demographic assumptions	(14,141)	(2,197)	-	-	(14,141)	(2,197)
- financial assumptions	520	407	(1,533)	2,175	2,053	(1,768)
- Experience adjustments	14,361	1,923	3,941	(5,435)	10,420	7,358
	740	133	2,408	(3,260)	(1,668)	3,393
Others						
Contribution made during the year	-	-	22,967	75,000	(22,967)	(75,000)
Benefits paid during the year	(387)	(1,204)	(387)	(1,204)	-	-
	(387)	(1,204)	22,580	73,796	(22,967)	(75,000)
Balance as at December 31, 2013	116,676	91,269	115,387	79,911	1,289	11,358

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

	Fair value of plan assets			
	2013	2012	2013	2012
	----- (Rupees in '000) -----		Percentage	
Cash and cash equivalent	41,252	9,158	35.8	11.5
Government Securities (PIBs) 36.6.1	74,135	70,753	64.2	88.5
	115,387	79,911	100	100

36.6.1 The fair values of the above securities are determined based on quoted market prices in active markets. The actual return on plan assets was Rs. 10.488 million (2012: Rs. 9.375 million).

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36.7 Sensitivity analysis

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

	Current results		Sensitivity analysis		
	12.5%	13.5%	11.5%	12.5%	12.5%
Discount Rate					
Salary Increase Rate	12.5%	12.5%	12.5%	13.5%	11.5%
Present value of defined benefit obligation	116,676	105,176	129,988	130,437	104,613
Fair value of plan assets	(115,387)	(113,909)	(116,920)	(115,387)	(115,387)
Net liability / (assets)	1,289	(8,733)	13,068	15,050	(10,774)

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

36.8 The average duration of the benefit obligation at December 31, 2013 is with in one year.

36.9 The Bank expects to make a contribution of Rs. 1.289 million (2012: Rs. 22.967 million)to the defined benefit plans during the next financial year.

37. DEFINED CONTRIBUTION PLAN

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

	Contribution basic salary	Number of employees		Contribution made during the year	
		2013	2012	2013	2012
	Percentages	Numbers		----- (Rupees in '000) -----	
- JS Bank (Holding Company, the Bank)	10%	1,087	893	49,595	41,810
- JS Global Capital Limited (Subsidiary, the Company)	10%	110	109	4,234	6,026
- JS Investments Limited (Subsidiary, the Company)	8%	77	78	4,106	6,250

Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

38. COMPENSATION OF DIRECTORS AND EXECUTIVES

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

	Note	2013			
		President & Chief Executive Officer	Directors	Executives	Total
Managerial remuneration		26,284	-	382,774	409,058
Defined contribution plan		1,348	-	31,468	32,816
Charge for defined benefit plan		804	-	27,690	28,494
Rent and house maintenance		9,688	-	167,848	177,536
Utilities		1,928	-	38,277	40,205
Medical		1,283	-	7,408	8,691
Conveyance and vehicle maintenance		570	-	71,630	72,200
Performance bonus		4,000	-	93,985	97,985
Non-executive directors' fee, allowances and other expenses		-	6,396	572	6,968
		<u>45,905</u>	<u>6,396</u>	<u>821,652</u>	<u>873,953</u>
Number of persons	38.1	3	13	343	359

	Note	2012			
		President & Chief Executive Officer	Directors	Executives	Total
Managerial remuneration		18,238	639	298,052	316,929
Defined contribution plan		837	23	29,817	30,677
Charge for defined benefit plan		-	-	20,558	20,558
Rent and house maintenance		7,589	244	132,434	140,267
Utilities		1,707	64	29,805	31,576
Medical		328	29	4,574	4,931
Conveyance and vehicle maintenance		95	48	50,658	50,801
Bonus		4,000	-	93,307	97,307
Non-executive directors' fee, allowances and other expenses		-	3,613	-	3,613
		<u>32,794</u>	<u>4,660</u>	<u>659,205</u>	<u>696,659</u>
Number of persons	38.1	3	15	286	304

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

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

39. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments is based on quoted market price. Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Group's accounting policy as stated in note 6.6 to these financial statements.

The repricing profile, effective rates and maturity are stated in note 43.3.4 to these consolidated 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.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

40. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	2013								
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Payment and settlement	Brokerage	Asset Management	Others	Total
	(Rupees in '000)								
Total income - external	66,299	5,051,876	1,094,391	1,818,417	167,053	511,677	817,292	39,877	9,566,882
Inter-segment revenues - net	-	(3,424,538)	3,669,938	(245,400)	-	-	-	-	-
Total income	66,299	1,627,338	4,764,329	1,573,017	167,053	511,677	817,292	39,877	9,566,882
Total expenses	(4,205)	(912,597)	(4,812,301)	(1,498,614)	(49,861)	(306,201)	(353,908)	(223,255)	(8,160,942)
Provisions for the year	-	(23,156)	(17,169)	(412,763)	-	(43,015)	231,669	(63,662)	(328,096)
Current Taxation	-	-	-	-	-	-	-	-	(222,780)
Deferred tax	-	-	-	-	-	-	-	-	(15,850)
Net income / (loss)	62,094	691,585	(65,141)	(338,360)	117,192	162,461	695,053	(247,040)	839,214
Segment assets (gross)	-	62,527,245	13,572,509	21,557,671	-	2,766,490	2,645,529	14,752,215	117,821,659
Segment non performing loans	-	371,451	102,892	2,655,486	-	724,132	716,086	-	4,570,047
Segment total provisions	-	(231,500)	(44,861)	(1,356,321)	-	(724,132)	(716,086)	-	(3,072,900)
Segment liabilities	-	18,174,746	61,293,743	20,737,631	1,414,793	344,172	158,182	1,317,924	103,441,191
Segment return on net assets									
(ROA) (%)	-	9.2	11.7	11.2	-	-	-	-	-
Segment cost of funds (%)	-	8.3	5.4	8.1	-	-	-	-	-

	2012								
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Payment and settlement	Brokerage	Asset Management	Others	Total
	(Rupees in '000)								
Total income - external	51,373	4,998,527	509,194	2,323,892	161,326	205,340	34,896	31,946	8,316,494
Inter-segment revenues - net	-	(2,859,890)	3,646,291	(786,401)	-	-	-	-	-
Total income	51,373	2,138,637	4,155,485	1,537,491	161,326	205,340	34,896	31,946	8,316,494
Total expenses	(4,776)	(667,276)	(4,258,459)	(1,636,826)	(34,858)	(156,564)	(29,462)	(357,035)	(6,615,328)
Provisions for the year	-	(72,424)	(2,793)	(454,711)	-	-	-	(12,534)	(542,462)
Tax expense	-	-	-	-	-	-	-	-	(53,117)
Deferred tax	-	-	-	-	-	-	-	-	(284,697)
Net income / (loss)	46,597	1,471,361	(102,974)	(99,335)	126,468	48,776	5,434	(337,623)	820,890
Segment assets (gross)	-	44,877,818	3,270,146	17,043,253	-	2,868,130	1,894,045	15,244,985	85,198,374
Segment non performing loans	-	328,231	50,589	2,986,676	-	-	-	-	3,365,496
Segment total provision	-	(208,344)	(31,805)	(939,448)	-	-	-	-	(1,179,597)
Segment liabilities	-	7,771,612	48,295,991	14,068,503	713,747	332,156	386,496	1,503,724	73,072,229
Segment return on net assets									
(ROA) (%)	-	10.39	12.68	13.02	-	-	-	-	-
Segment cost of funds (%)	-	8.90	5.87	9.53	-	-	-	-	-

Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

41. RELATED PARTY TRANSACTIONS

The Group has related party relationship with its associates, parent, companies having common directors, companies in which parent holds more than 20% shares, employee benefit plans, and its key management personnel (including their associates).

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

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

	Key management personnel		Othe related parties		Total	
	2013	2012	2013	2012	2013	2012
	----- (Rupees in '000) -----					
Advances						
Opening balance	94,071	39,651	1,378,039	2,975,684	1,472,110	3,015,335
Disbursements	107,070	69,045	3,388,554	7,356,245	3,495,624	7,425,290
Repayments	(31,093)	(14,625)	(3,233,372)	(8,953,890)	(3,264,465)	(8,968,515)
Balance as at December 31	170,048	94,071	1,533,221	1,378,039	1,703,269	1,472,110
Mark-up / return / interest earned	9,268	3,200	119,183	440,115	128,451	443,315

	Ultimate Parent		Key management personnel		Other related parties		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	----- (Rupees in '000) -----							
Deposits								
Opening balance	2,002,829	560,818	16,731	10,994	4,387,067	1,733,460	6,406,627	2,305,272
Deposits during the year	8,779,869	8,747,957	492,958	270,304	59,790,860	40,912,613	69,063,687	49,930,874
Withdrawals during the year	<u>(9,225,428)</u>	<u>(7,305,946)</u>	<u>(486,677)</u>	<u>(264,567)</u>	<u>(58,222,580)</u>	<u>(38,259,006)</u>	<u>(67,934,685)</u>	<u>(45,829,519)</u>
Balance as at December 31	<u>1,557,270</u>	<u>2,002,829</u>	<u>23,012</u>	<u>16,731</u>	<u>5,955,347</u>	<u>4,387,067</u>	<u>7,535,629</u>	<u>6,406,627</u>
Mark-up / return / interest expensed	<u>128,915</u>	<u>53,682</u>	<u>1,252</u>	<u>375</u>	<u>328,914</u>	<u>275,440</u>	<u>459,081</u>	<u>329,497</u>

The related party status of outstanding receivables and payables as at December 31, 2013 is included in respective notes to the financial statements. Material transactions with related parties are given below:

Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

	Companies having common directorship		Companies in which parent company holds 20% or more		Other related parties		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
----- (Rupees in '000) -----								
Nature of transactions								
Purchase of Term Finance Certificates	-	-	-	-	42,640	16,347	42,640	16,347
Sale of Government Securities	358,073	46,575,731	101,496,606	-	1,894,752	2,889,665	103,749,431	49,465,396
Purchase of Government Securities	-	-	-	-	-	-	-	-
Securities	-	9,332,872	16,444,151	-	396,367	69,292	16,840,518	9,402,164
Purchase of Sukuk	-	-	-	4,252,287	-	-	-	4,252,287
Sale of Sukuk / Ijara	-	143,788	113,667	1,543,690	-	-	113,667	1,687,478
Sale of shares / Units	-	-	-	-	982,063	1,560,614	982,063	1,560,614
Purchase of shares / Units	-	-	-	350,000	170,000	1,367,675	170,000	1,717,675
Call borrowing / Repo	-	-	16,650,000	5,550,000	-	-	16,650,000	5,550,000
Purchase of forward foreign exchange contracts	-	-	6,442,565	8,306,908	-	-	6,442,565	8,306,908
Sale of forward foreign exchange contracts	-	-	9,360,124	10,160,117	-	-	9,360,124	10,160,117
Letter of credits	-	-	-	-	-	-	-	-
Letter of guarantees	516	-	-	-	5,097	30,295	5,613	30,295
Nature of transactions								
Payment to staff benefit plan	-	-	-	-	22,967	75,000	22,967	75,000
Payment to staff contribution plan	-	-	-	-	57,890	-	57,890	-
Remuneration of key management personnel	-	-	-	-	218,933	-	218,933	-
Director fees and allowances	-	-	-	-	6,903	-	6,903	-
Insurance claim received	5,050	20,323	-	-	-	-	5,050	20,323
Markup income	-	-	-	-	49,849	79,585	49,849	79,585
Markup expense	-	-	5,478	-	-	-	5,478	-
Rent received / receivables	-	166	-	869	497	345	497	1,380
Reimbursement of expenses	161	147	-	1,090	10,821	193	10,982	1,430
Expenses incurred on behalf	143	-	-	-	66,351	-	66,494	-
Payment of insurance premium	44,998	37,171	11,004	-	2,968	-	58,970	37,171
Services rendered	-	-	-	-	8,655	-	8,655	-
Rent and other expense paid / accrued	-	420	2,234	-	1,330	-	3,564	420
Commission income	103,830	92,087	1,829	2,262	8,511	9,604	114,170	103,953
Dividend income	-	-	-	-	276,660	12,218	276,660	12,218
Consultancy fee	-	-	-	-	18,000	8,000	18,000	8,000
Royalty	-	-	-	-	20,000	11,667	20,000	11,667
Remunerative income	-	-	-	-	222,739	40,459	222,739	40,459

	Parent company	
	2013	2012
----- (Rupees in '000) -----		
Nature of transactions		
Sale of Government Securities	2,484,725	728,550
Rent expense paid / accrued	1,065	1,023
Expenses incurred on behalf	65	-
Reimbursement of expenses	3,524	925
Underwriting commission in preference shares	5,546	-

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for the year ended December 31, 2013

42. CAPITAL ASSESSMENT AND ADEQUACY

42.1 Scope of Application

SBP Capital Adequacy Frameworks (Basel II & III) are applicable to JS Bank Limited on stand alone basis as well as on Consolidated basis by consolidating its partly owned subsidiaries - JS Global Capital Limited & JS Investments Limited.

42.2 Capital Structure- Basel III

Bank's regulatory capital is analyzed into two tiers:

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

- a. Common equity Tier I which includes fully issued, subscribed and paid up capital, balance in share premium account, reserve for bonus issue, general reserves as per the financial statements and net un appropriated profits etc. after deductions of investments in equity of subsidiary companies engaged in banking and financial activities, goodwill & 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 (gone concern or supplementary capital) , which includes general provision for loan losses (up to maximum of 1.25% of risk weighted assets), reserve on the revaluation of fixed assets ,equity investments and foreign exchange translation reserve and subordinated debt.

42.3 Capital Adequacy

Capital Management

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

Statutory minimum capital requirement and management of capital

The State Bank of Pakistan (SBP) through its BSD Circular no. 7 dated April 15, 2009 prescribed that the minimum paid up capital (net of losses) for Banks / Development Finance Institutions (DFIs) needed to be raised to Rs.10 billion by the year ending December 31, 2013. The raise was to be achieved in a phased manner requiring Rs.10 billion paid-up capital (free of losses) by the end of the financial year 2013. The paid-up capital (free of losses) of the Bank as at December 31, 2013 stood at Rs. 8.619 billion. To meet the shortfall, the Bank, subsequent to the year end on February 19, 2014, has issued 150 million un-listed, convertible, irredeemable, perpetual, non-cumulative, non-voting preference shares of Rs. 10 each which qualified for Additional Tier I Capital under Basel III requirement to meet the shortfall in the Minimum Capital Requirement (MCR). As a result of this transaction, the paid up capital of the Bank has increased by Rs. 1.5 billion.

In the meantime, the SBP granted extension to the Bank from complying with the requirements of MCR for December 31, 2013 till February 28, 2014.

Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

Basel III transition

The Basel III instructions issued by SBP will be adopted in a phased manner starting from the current year 2013, with full implementation of capital ratios by the year-end 2019, Banks will be required to maintain the following ratios on an ongoing basis:

- i. Common Equity Tier 1 of at least 6.0% of the total RWA.
- ii. Tier-1 capital will be at least 7.5% of the total RWA which means that Additional Tier 1 capital can be admitted maximum up to 1.5% of the total RWA.
- iii. Minimum Capital Adequacy Ratio (CAR) of 10% of the total RWA i.e. Tier 2 capital can be admitted maximum up to 2.5% of the total RWA.
- iv. Additionally, Capital Conservation Buffer (CCB) of 2.5% of the total RWA is being introduced which will be maintained in the form of CET1.
- v. The excess additional Tier 1 capital and Tier 2 capital can only be recognized if the bank has CET1 ratio in excess of the minimum requirement of 8.5% (i.e. 6.0% plus capital conservation buffer of 2.5%).
- vi. For the purpose of calculating Tier 1 capital and CAR, the Bank can recognize excess Additional Tier 1 and Tier 2 provided the Bank has excess CET1 over and above 8.5%. Further, any excess Additional Tier 1 and Tier 2 capital will be recognized in the same proportion as stipulated above i.e. the recognition of excess Additional Tier 1 (above 1.5%) is limited to the extent of 25% (1.5/6.0) of the CET1 in excess of 8.5% requirement. Similarly, the excess Tier 2 capital (above 2.5%) shall be recognized to the extent of 41.67% (2.5/6.0) of the CET1 in excess of 8.5% requirement.

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

Sr	Ratio	Year End						As of
		2013	2014	2015	2016	2017	2018	Dec 31
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%

Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

42.4 Capital Adequacy Ratio (CAR) disclosure:

Common Equity Tier 1 capital (CET1): Instruments and reserves

Fully Paid-up Capital/ Capital deposited with SBP	
Balance in Share Premium Account	
Reserve for issue of Bonus Shares	
General/ Statutory Reserves	
Gain/(Losses) on derivatives held as Cash Flow Hedge	
Unappropriated/unremitted profits/ (losses)	
Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	

CET 1 before Regulatory Adjustments

Common Equity Tier 1 capital: Regulatory adjustments

Goodwill (net of related deferred tax liability)	
All other intangibles (net of any associated deferred tax liability)	
Shortfall of provisions against classified assets	
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	
Defined-benefit pension fund net assets	
Reciprocal cross holdings in CET1 capital instruments	
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	
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)	
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)	
Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	
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)	

Common Equity Tier 1

(a)

2013		2012	
(Rupees in '000)			
Amounts subject to Pre - Basel III treatment			
Amount		Amount	
8,619,242	-	8,619,242	-
-	-	-	-
-	-	-	-
301,698	-	231,442	-
-	-	-	-
239,766	-	(50,375)	-
1,866,171	-	1,863,194	-
11,026,877	-	10,663,503	-
1,463,624	-	1,740,179	-
226,109	-	-	-
-	-	-	-
-	872,226	-	-
-	-	-	-
-	-	-	-
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-	-	-	-
-	-	-	-
143,105	-	-	-
1,832,838	957,351	1,740,179	-
9,194,039	-	8,923,324	-

Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

	2013		2012
	(Rupees in '000)		
	Amounts subject to Pre - Basel III treatment		Amount
	Amount		Amount
Additional Tier 1 (AT 1) Capital			
Qualifying Additional Tier 1 instruments plus any related share premium of which: Classified as equity	-	-	-
of which: Classified as liabilities	-	-	-
Additional Tier 1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	-	-
of which: instrument issued by subsidiaries subject to phase out	-	-	-
AT1 before regulatory adjustments	-	-	-
Additional Tier 1 Capital: regulatory adjustments			
Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	143,105	-	-
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)	-	-	-
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-
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	143,105	-	-
Additional Tier 1 capital	-	-	-
Additional Tier 1 capital recognized for capital adequacy (b)	-	-	-
Tier 1 Capital (CET1 + admissible AT1) (c=a+b)	9,194,039		8,923,324
Tier 2 Capital			
Qualifying Tier 2 capital instruments under Basel III	-	-	-
Capital instruments subject to phase out arrangement from Tier 2 (Pre-Basel III instruments)	-	-	-
Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group Tier 2)	-	-	-
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	2,990	-	1,191
Revaluation Reserves	-	-	-
of which: Revaluation reserves on Property	-	-	-
of which: Unrealized Gains/Losses on AFS	76,602	-	171,309
Foreign Exchange Translation Reserves	-	-	-
Undisclosed/Other Reserves (if any)	-	-	-
T2 before regulatory adjustments	79,592	-	172,500

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for the year ended December 31, 2013

	2013	2012
	(Rupees in '000)	
	Amounts subject to Pre - Basel III treatment	
	Amount	Amount
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)	-	131,123
Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-
Amount of Regulatory Adjustment applied to T2 capital	-	-
Tier 2 capital (T2)	79,592	172,500
Tier 2 capital recognized for capital adequacy	79,592	172,500
Excess Additional Tier 1 capital recognized in Tier 2 capital	-	-
Total Tier 2 capital admissible for capital adequacy (d)	79,592	172,500
TOTAL CAPITAL (T1 + admissible T2) (e=c+d)	9,273,631	9,095,824
Total Risk Weighted Assets (i=f+g+h)	48,885,771	37,446,877
Total Credit Risk Weighted Assets (f)	36,606,383	30,321,743
Risk weighted assets in respect of amounts subject to Pre-Basel III Treatment	-	-
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	-	-
of which: deferred tax assets	872,226	-
of which: Defined-benefit pension fund net assets	-	-
of which: [insert name of adjustment]	-	-
Total Market Risk Weighted Assets (g)	5,357,925	2,341,909
Total Operational Risk Weighted Assets (h)	6,921,463	4,783,225
Capital Ratios and buffers (in percentage of risk weighted assets)		
CET1 to total RWA (a/i)	18.81%	23.83%
Tier 1 capital to total RWA (c/i)	18.81%	23.83%
Total capital to RWA (e/i)	18.97%	24.29%
Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	10.00%	
of which: capital conservation buffer requirement	0.00%	
of which: countercyclical buffer requirement	-	
of which: D-SIB or G-SIB buffer requirement	-	
CET1 available to meet buffers (as a percentage of risk weighted assets)	18.81%	
National minimum capital requirements prescribed by SBP		
CET1 minimum ratio	5.00%	
Tier 1 minimum ratio	6.50%	
Total capital minimum ratio	10.00%	
Amounts below the thresholds for deduction (before risk weighting)		
Non-significant investments in the capital of other financial entities	683,614	
Significant investments in the common stock of financial entities	70,268	
Deferred tax assets arising from temporary differences (net of related tax liability)	-	
Applicable caps on the inclusion of provisions in Tier 2		
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	-	
Cap on inclusion of provisions in Tier 2 under standardized approach	-	
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	
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, 2013

42.5

	2013	
	----- (Rupees in '000) -----	
Risk-Weighted Exposures	Book Value	Risk Adjusted Value
Credit Risk		
Balance Sheet Items:		
Cash and other liquid Assets	7,775,070	167,640
Balances with other banks	542,126	179,247
Investments	43,855,194	3,736,514
Loans and Advances	55,354,807	25,934,755
Fixed Assets	3,750,784	2,061,051
Other Assets	3,470,778	1,831,186
	114,748,759	33,910,393
Off Balance Sheet items		
Loan Repayment Guarantees	593,756	120,094
Purchase and Resale Agreements	16,363,670	1,909,595
Performance Bonds etc	-	-
Revolving underwriting Commitments	-	-
Stand By Letters of Credit	4,213,928	546,862
Outstanding Foreign Exchange Contracts	-	-
- Purchase	7,530,575	41,947
- Sale	7,027,434	77,492
	35,729,363	2,695,990
Credit risk-weighted exposures		36,606,383
Market Risk		
General market risk		2,837,044
Specific market Risk		2,520,881
Market risk-weighted exposures		5,357,925
Operational Risk		6,921,463
Total Risk-Weighted Exposures		48,885,771

Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

42.6 Capital Structure Reconciliation

Step : 1

Assets

Cash and balances with treasury banks
Balances 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/ Unremitted profit/ (losses)
Minority Interest
Surplus on revaluation of assets

Total Equity

Total Liabilities & Equity

	As Per Balance Sheet	Under regulatory scope of consolidation
	December 31, 2013	
	----- (Rupees in '000) -----	
	7,775,070	7,775,070
	542,126	542,126
	21,585,799	21,585,799
	43,855,194	43,855,194
	33,769,008	33,769,008
	3,750,784	3,750,784
	1,052,958	1,052,958
	2,417,820	2,417,820
Total Assets	114,748,759	114,748,759
	1,414,793	1,414,793
	20,150,846	20,150,846
	80,055,276	80,055,276
	-	-
	-	-
	-	-
	1,820,276	1,820,276
Total Liabilities	103,441,191	103,441,191
	8,619,242	8,619,242
	301,698	301,698
	239,766	239,766
	1,866,171	1,866,171
	280,691	280,691
Total Equity	11,307,568	11,307,568
Total Liabilities & Equity	114,748,759	114,748,759

Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

Step : 2

Assets

Cash and balances with treasury banks

Balanced with other banks

Lending to financial institutions

Investments

of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold

of which: significant capital investments in financial sector entities exceeding regulatory threshold

of which: Mutual Funds exceeding regulatory threshold

of which: reciprocal crossholding of capital instrument

of which: others (mention details)

Advances

shortfall in provisions/ excess of total EL amount over eligible provisions under IRB

general provisions reflected in Tier 2 capital

Fixed Assets

Deferred Tax Assets

of which: DTAs excluding those arising from temporary differences

of which: DTAs arising from temporary differences exceeding regulatory threshold

Other assets

of which: Goodwill

of which: Intangibles

of which: Defined-benefit pension fund net assets

Total Assets

As Per Balance Sheet	Under regulatory scope of consolidation	Reference
December 31, 2013		
----- (Rupees in '000) -----		

7,775,070	7,775,070	
542,126	542,126	
21,585,799	21,585,799	
43,855,194	43,855,194	
-	-	a
-	-	b
-	143,105	c
-	-	d
-	-	e
33,769,008	33,769,008	
-	-	f
2,990	2,990	g
3,750,784	3,750,784	
1,052,958	1,052,958	
-	-	h
-	-	i
2,417,820	2,417,820	
1,463,624	1,463,624	j
226,109	226,109	k
-	-	l
114,748,759	114,748,759	

Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

Liabilities & Equity

	Under regulatory scope of consolidation		Reference
	As Per Balance Sheet	December 31, 2013	
----- (Rupees in '000) -----			
Bills payable	1,414,793	1,414,793	
Borrowings	20,150,846	20,150,846	
Deposits and other accounts	80,055,276	80,055,276	
Sub-ordinated loans	-	-	
of which: eligible for inclusion in AT1	-	-	m
of which: eligible for inclusion in Tier 2	-	-	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	-	-	
of which: DTLs related to goodwill	-	-	o
of which: DTLs related to intangible assets	-	-	p
of which: DTLs related to defined pension fund net assets	-	-	q
of which: other deferred tax liabilities	-	-	r
Other liabilities	1,820,276	1,820,276	
Total Liabilities	103,441,191	103,441,191	
Share capital	8,619,242	8,619,242	
of which: amount eligible for CET1	8,619,242	8,619,242	s
of which: amount eligible for AT1	-	-	t
Reserves	301,698	301,698	
of which: portion eligible for inclusion in CET1(provide breakup)	-	-	u
of which: portion eligible for inclusion in Tier 2	-	-	v
Unappropriated profit/ (losses)	239,766	239,766	w
Minority Interest	1,866,171	1,866,171	
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	280,691	280,691	
of which: Revaluation reserves on Property	-	-	aa
of which: Unrealized Gains/Losses on AFS	-	-	
In case of Deficit on revaluation (deduction from CET1)	-	-	ab
Total Liabilities & Equity	114,748,759	114,748,759	

Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

Common Equity Tier 1 capital (CET1): Instruments and reserves

Fully Paid-up Capital/ Capital deposited with SBP	8,619,242	(s)
Balance in Share Premium Account	-	
Reserve for issue of Bonus Shares	-	
General/ Statutory Reserves	301,698	(u)
Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
Unappropriated/unremitted profits/(losses)	239,766	(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)	1,866,171	(x)

CET 1 before Regulatory Adjustments

	Component of regulatory capital reported by bank	Reference
	--(Rupees in '000)--	
	11,026,877	
Common Equity Tier 1 capital: Regulatory adjustments		
Goodwill (net of related deferred tax liability)	1,463,624	(j) - (o)
All other intangibles (net of any associated deferred tax liability)	226,109	(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	143,105	
Total regulatory adjustments applied to CET1 (sum of 9 to 25)	1,832,838	
Common Equity Tier 1	9,194,039	

Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

Additional Tier 1 (AT 1) Capital

Qualifying Additional Tier 1 instruments plus any related share premium	-	
of which: Classified as equity	-	(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

Additional Tier 1 Capital: regulatory adjustments

Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	143,105	
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-BaseI 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	143,105	
Additional Tier 1 capital	-	

Additional Tier 1 capital recognized for capital adequacy

Tier 1 Capital (CET1 + admissible AT1)

Tier 2 Capital

Qualifying Tier 2 capital instruments under Basel III	-	(n)
Capital instruments subject to phase out arrangement from tier 2 (Pre-BaseI III instruments)	-	
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	2,990	(g)
Revaluation Reserves eligible for Tier 2	-	
of which: portion pertaining to Property	-	portion of (aa)
of which: portion pertaining to AFS securities	76,602	
Foreign Exchange Translation Reserves	-	(v)
Undisclosed/Other Reserves (if any)	-	
T2 before regulatory adjustments	79,592	

Component of
regulatory capital
reported by bank

Reference

--(Rupees in '000)--

Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

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)

Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation

Amount of Regulatory Adjustment applied to T2 capital

Tier 2 capital (T2)

Tier 2 capital recognized for capital adequacy

Excess Additional Tier 1 capital recognized in Tier 2 capital

Total Tier 2 capital admissible for capital adequacy

TOTAL CAPITAL (T1 + admissible T2)

Component of regulatory capital reported by bank	Reference
--(Rupees in '000)--	
-	
-	
-	
-	(ae)
-	(af)
-	
79,592	
79,592	
-	
79,592	
9,273,631	

Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

42.7 Main Features of Regulatory Capital Instruments

Main Features

- 1 Issuer
- 2 Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)
- 3 Governing law(s) of the instrument

Regulatory treatment

- 4 Transitional Basel III rules
- 5 Post-transitional Basel III rules
- 6 Eligible at solo/ group/ group&solo
- 7 Instrument type
- 8 Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)
- 9 Par value of instrument
- 10 Accounting classification
- 11 Original date of issuance
- 12 Perpetual or dated
- 13 Original maturity date
- 14 Issuer call subject to prior supervisory approval
- 15 Optional call date, contingent call dates and redemption amount
- 16 Subsequent call dates, if applicable

Coupons / dividends

- 17 Fixed or floating dividend/ coupon
- 18 Coupon rate and any related index/ benchmark
- 19 Existence of a dividend stopper
- 20 Fully discretionary, partially discretionary or mandatory
- 21 Existence of step up or other incentive to redeem
- 22 Noncumulative or cumulative
- 23 Convertible or non-convertible
- 24 If convertible, conversion trigger (s)
- 25 If convertible, fully or partially
- 26 If convertible, conversion rate
- 27 If convertible, mandatory or optional conversion
- 28 If convertible, specify instrument type convertible into
- 29 If convertible, specify issuer of instrument it converts into
- 30 Write-down feature
- 31 If write-down, write-down trigger(s)
- 32 If write-down, full or partial
- 33 If write-down, permanent or temporary
- 34 If temporary write-down, description of write-up mechanism
- 35 Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)
- 36 Non-compliant transitioned features
- 37 If yes, specify non-compliant features

Common Shares

JS Bank
JSB
SECP

Common Equity Tier 1
Common Equity Tier 1
Solo and Group
Ordinary Shares

8,619,242
10

Shareholders Equity
NA

No Maturity

NA

No

NA

NA

NA

NA

NA

NA

NA

NA

NA

NA

NA

NA

NA

NA

NA

NA

NA

NA

NA

NA

NA

NA

NA

NA

NA

Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

42.8 Capital Adequacy

	Capital Requirements		Risk Weighted Assets	
	December 31, 2013	December 31, 2012*	December 31, 2013	December 31, 2012*
	(Rupees in '000)			
Credit Risk				
On balance sheet				
Corporate	2,142,185	1,679,866	21,421,853	16,798,658
Retail	198,897	86,616	1,988,972	866,158
Banks and DFIs	291,607	141,366	2,916,069	1,413,661
Public sector entity	19,330	10,772	193,302	107,724
Sovereign (include GoP and SBP)	-	-	-	-
Residential mortgage finance	25,824	17,937	258,241	179,371
Past due loans	154,394	264,123	1,543,943	2,641,229
Fixed assets	206,105	167,199	2,061,051	1,671,988
Other assets	180,552	168,482	1,805,524	1,684,824
	3,218,894	2,536,361	32,188,955	25,363,613
Off balance sheet				
Non market related	257,655	239,617	2,576,551	2,396,172
Market related	11,944	1,288	119,438	12,884
	269,599	240,905	2,695,989	2,409,056
Equity Exposure Risk in the Banking Book	172,144	254,907	1,721,438	2,549,074
Total Credit Risk	3,660,637	3,032,173	36,606,382	30,321,743
Market Risk				
Interest rate risk	44,435	27,341	555,438	341,759
Equity position risk etc.	367,919	157,058	4,598,985	1,963,225
Foreign exchange risk	16,280	2,954	203,502	36,925
Operational Risk				
Capital Requirement for operational risks	553,717	382,658	6,921,463	4,783,225
TOTAL	<u>4,642,988</u>	<u>3,602,184</u>	<u>48,885,770</u>	<u>37,446,877</u>
Capital Adequacy Ratio				
Total eligible regulatory capital held	(e)	9,273,631	9,095,824	
Total Risk Weighted Assets	(i)	48,885,771	<u>37,446,877</u>	
Capital Adequacy Ratio	(e) / (i)	<u>18.97%</u>	<u>24.29%</u>	

Notes to the Consolidated Financial Statements

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43. RISK MANAGEMENT

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

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

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

Risk management framework of Bank includes:

- a) Clearly defined risk management policies and procedures covering risk identification, acceptance, measurement, monitoring, reporting and control;
- b) Well constituted organizational structure, defining clearly roles and responsibilities of individuals involved in risk taking as well as managing it. The bank, in addition to risk management functions for various risk categories, has instituted an Integrated Risk Management Committee (IRMC) as well as Central Credit Committee (CCC). IRMC oversees the overall risk management at the bank and provide guidance in setting strategic targets as well as concentration limits and monitor progress related to earnings growth, keeping in view the capital constraints and also adhere to the concentration limits. The IRMC sets the strategic target and aggregate limits at the Business Group level and concentration limits (by industry, geography, size, tenor) so that one category of assets or dimension of risk cannot materially harm the performance of the Bank. 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 adapt changes.

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

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

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

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

- a) Credit Risk Management (CRM) covering both Corporate / Commercial and Retail Banking Risks as well as Consumer Risks
- b) Operational Risk Management
- c) Market Risk Management (MRM)
- d) Treasury Middle Office
- e) Financial Institution Risk Management Unit (also responsible for Cross-border Risk Management)
- f) Basel II / III Implementation Unit

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

Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

Risk matrix / categories

Bank, in common with other banks, generates its revenues by accepting country, credit, liquidity, interest rate risk in the Banking Book, market, operational and other risks. Effective management of these risks is the decisive factor in the Bank's profitability.

Risk Appetite

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

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

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

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

43.1 Credit Risk

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

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

43.1.1 Segmental Information

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

Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

43.1.1.1 Segment by class of business

	2013					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent %	Rupees in '000	Percent %	Rupees in '000	Percent %
Mining and quarrying	56,922	0.16	126,619	0.16	7,621	0.03
Textile and Glass	7,002,166	19.91	536,390	0.67	2,090,968	8.81
Chemical and pharmaceuticals	840,200	2.39	642,051	0.80	1,077,791	4.54
Fertilizer and pesticides	1,449,468	4.12	301,686	0.38	451,012	1.90
Automobile and transportation equipment	763,255	2.17	760,437	0.95	91,792	0.39
Tyre, Rubber and Plastic	-	-	-	-	424,741	1.79
Electronics and electrical appliances	247,275	0.70	60,460	0.08	154,624	0.65
Construction and real estate	117,018	0.33	2,728,633	3.41	769,683	3.24
Power and water, Oil and Gas	200,005	0.57	2,499,109	3.12	1,231,764	5.19
Metal and steel	681,492	1.94	-	-	319,364	1.35
Paper / board / furniture	471,934	1.34	78,663	0.10	178,401	0.75
Food / confectionery / beverages	10,487,851	29.82	158,562	0.20	416,321	1.75
Trust and non-profit organisations	-	-	14,149,525	17.67	12,093	0.05
Sole proprietorships	356,195	1.01	30,367,305	37.93	12,609	0.05
Transport, storage and communication	986,718	2.81	2,653,851	3.32	483,099	2.04
Financial	1,066,039	3.03	5,842,628	7.30	15,009,280	63.25
Insurance and Security	-	-	2,466,575	3.08	13,140	0.06
Engineering, IT and other services	2,006,264	5.70	1,588,687	1.98	197,778	0.83
Sugar	1,421,329	4.04	45,007	0.06	15,210	0.06
Individuals	3,267,750	9.29	11,539,094	14.41	490,208	2.07
Others	3,748,312	10.67	3,509,994	4.38	282,446	1.20
	35,170,193	100	80,055,276	100	23,729,945	100

	2012					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent %	Rupees in '000	Percent %	Rupees in '000	Percent %
Mining and quarrying	24,016	0.12	54,103	0.09	191	-
Textile	5,011,079	24.00	227,554	0.37	856,368	6.34
Chemical and pharmaceuticals	880,364	4.22	984,644	1.59	94,635	0.70
Fertilizer	1,455,725	6.97	-	-	612,000	4.53
Automobile and transportation equipment	99,458	0.48	-	-	12,440	0.09
Electronics and electrical appliances	323,704	1.55	201,081	0.32	108,697	0.80
Construction	47,497	0.23	576,207	0.93	541,957	4.01
Power, gas, water and sanitary	-	-	45,679	0.07	300,024	2.22
Paper/board/furniture	93,559	0.45	-	-	161,702	1.20
Petroleum/oil and gas	17,901	0.09	2,636	-	333,823	2.47
Food/confectionery/beverages	1,599,971	7.66	49,455	0.08	3,697,411	27.36
Trust and non-profit organisations	103,964	0.50	7,591,978	12.26	17,609	0.13
Sole Proprietorships	123,891	0.59	25,650,554	41.42	-	-
Transport, storage and communication	773,256	3.70	668,918	1.08	71,346	0.53
Financial	1,201,717	5.76	6,034,736	9.74	5,224,901	38.66
Insurance	50,000	0.24	261,142	0.42	867	0.01
Services	2,027,202	9.71	750,981	1.21	108,000	0.80
Cement	-	-	1,224	-	-	-
Sugar	1,355,476	6.49	59,542	0.10	208,921	1.55
Individuals	2,653,669	12.71	10,778,218	17.40	92,902	0.69
Others	3,038,189	14.53	7,996,135	12.92	1,070,394	7.91
	20,880,638	100	61,934,787	100	13,514,188	100

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43.1.1.2 Segment by sector

	2013					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent %	Rupees in '000	Percent %	Rupees in '000	Percent %
Public / Government	7,000,000	19.90	4,831,673	6.04	-	-
Private	28,170,193	80.10	75,223,603	93.96	23,729,945	100
	<u>35,170,193</u>	<u>100</u>	<u>80,055,276</u>	<u>100</u>	<u>23,729,945</u>	<u>100</u>

	2012					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent %	Rupees in '000	Percent %	Rupees in '000	Percent %
Public / Government	-	-	5,070,401	8.19	1,960,794	14.51
Private	20,880,638	100.00	56,864,386	91.81	11,553,394	85.49
	<u>20,880,638</u>	<u>100</u>	<u>61,934,787</u>	<u>100</u>	<u>13,514,188</u>	<u>100</u>

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

	2013		2012	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	(Rupees in '000)			
Textile	671,119	533,381	691,011	318,859
Automobile and transportation equipment	109,773	100,621	134,686	104,101
Chemical and pharmaceutical	-	-	1,536,009	222,362
Food / confectionery / beverages	122,807	89,469	167,144	102,991
Financial	-	-	185,575	155,163
Paper / board / furniture	22,000	9,713	-	-
Fertilizer and pesticides	1,034,879	262,491	-	-
Services	185,575	155,163	-	-
Individuals	257,373	10,724	261,224	11,682
Other	354,851	236,633	61,615	54,904
	<u>2,758,377</u>	<u>1,398,195</u>	<u>3,037,264</u>	<u>970,062</u>

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

Public / Government	-	-	-	-
Private	2,758,377	1,398,195	3,037,264	970,062
	<u>2,758,377</u>	<u>1,398,195</u>	<u>3,037,264</u>	<u>970,062</u>

43.1.1.5 Geographical segment analysis

	2013		2012	
	Total asset employed	Net asset employed	Total asset employed	Net asset employed (Restated)
	(Rupees in '000)			
Pakistan	114,748,759	11,307,568	84,018,777	10,946,548

	2013		2012	
	Profit before taxation	Contingencies and commitments	Profit before taxation (Restated)	Contingencies and commitments
	(Rupees in '000)			
Pakistan	1,077,844	23,729,945	1,158,704	13,514,188

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43.1.2 Credit risk: Standardised approach

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

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

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

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

Long - Term Ratings Grades Mapping

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

Short - Term Ratings Grades Mapping

SBP	PACRA	JCR-VIS	FITCH	MOODY'S	S&P
S1	A-1	A-1	F1	P-1	A-1+,A-1
S2	A-2	A-2	F2	P-2	A-2
S3	A-3	A-3	F3	P-3	A-3
S4	Others	Others	Others	Others	Others

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Credit exposures subject to Standardised approach

Exposures	Rating category No.	Rating risk weighted	2013			Risk weighted asset
			Amount outstanding	Deduction CRM*	Net amount	
----- (Rupees in '000) -----						
Cash and Cash Equivalents		0%	1,900,674	-	1,900,674	-
Corporate		0%	-	7,059,298	7,059,298	-
	1	20%	1,317,484	10,950	1,328,434	265,687
	2	50%	487,563	-	487,563	243,781
	3,4	100%	962,794	-	962,794	962,794
	5,6	150%	944,390	-	944,390	1,416,585
	Unrated	100%	25,603,254	(7,070,248)	18,533,006	18,533,006
			29,315,485	-	29,315,485	21,421,853
Retail		0%	-	789,291	789,291	-
		20%	-	8,998	8,998	1,800
		50%	-	-	-	-
		75%	3,447,851	(798,289)	2,649,562	1,987,172
			3,447,851	-	3,447,851	1,988,972
Banks						
- Maturity over 3 Months		0%	-	2,279,667	2,279,667	-
	1	20%	690,039	-	690,039	138,008
	2,3	50%	4,680,661	(2,279,667)	2,400,994	1,200,497
	4,5	100%	199,800	-	199,800	199,800
	6	150%	-	-	-	-
	Unrated	50%	195,146	-	195,146	97,573
			5,765,646	-	5,765,646	1,635,878
- Maturity Upto and under 3 Months in FCY		0%	-	-	-	-
	1,2,3	20%	684,653	-	684,653	136,931
	4,5	50%	-	-	-	-
	6	150%	54,478	-	54,478	81,717
	unrated	20%	157,297	-	157,297	31,459
			896,428	-	896,428	250,107
- Maturity upto and under 3 months in PKR		0%	-	10,390,823	10,390,823	-
		20%	15,541,245	(10,390,823)	5,150,422	1,030,084
			15,541,245	-	15,541,245	1,030,084
Residential Mortgage Finance		35%	737,832	-	737,832	258,241
Public Sector Entity						
		0%	-	-	-	-
	1	20%	838,201	-	838,201	167,640
	2,3	50%	-	-	-	-
	4,5	100%	-	-	-	-
	6	150%	-	-	-	-
	Unrated	50%	51,323	-	51,323	25,662
			889,524	-	889,524	193,302
Sovereigns (SBP / GoP)		0%	18,739,492	-	18,739,492	-
Equity Investments						
- Listed		100%	1,557,899	-	1,557,899	1,557,899
- Unlisted		150%	109,026	-	109,026	163,539
			1,666,925	-	1,666,925	1,721,438
Past Due Loans (Not Secured by Residential Mortgages)						
	S.P less than 20%	150%	629,934	-	629,934	944,901
	S.P upto 20%	100%	467,878	-	467,878	467,878
	S.P greater than 50%	50%	262,329	-	262,329	131,164
			1,360,141	-	1,360,141	1,543,943
Investment in fixed assets		100%	2,061,051	-	2,061,051	2,061,051
Other assets		100%	1,805,524	-	1,805,524	1,805,524
Total			84,127,818	-	84,127,818	33,910,393

* Credit Risk Mitigation (CRM)

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Credit exposures subject to Standardised approach

Exposures	Rating category No.	Rating risk weighted	2012			Risk weighted asset
			Amount outstanding	Deduction CRM*	Net amount	
----- (Rupees in '000) -----						
Cash and Cash Equivalents		0%	1,401,590	-	1,401,590	-
Corporate	0	0%	-	629,837	629,837	-
	1	20%	1,366,882	307	1,367,189	273,438
	2	50%	1,195,866	(241,970)	953,896	476,948
	3,4	100%	424,276	-	424,276	424,276
	5,6	150%	782,615	-	782,615	1,173,923
	Unrated	100%	14,838,247	(388,174)	14,450,073	14,450,073
			18,607,886	-	18,607,886	16,798,658
Retail		0%	-	606,430	606,430	-
		20%	-	1,179	1,179	236
		50%	-	-	-	-
		75%	1,762,171	(607,609)	1,154,562	865,922
			1,762,171	-	1,762,171	866,158
Banks						
- Maturity over 3 Months		0%	-	335,000	335,000	-
	1	20%	455,844	-	455,844	91,169
	2,3	50%	1,324,568	(335,000)	989,568	494,784
	4,5	100%	213,673	-	213,673	213,673
	6	150%	5,353	-	5,353	8,030
Unrated		50%	86,496	-	86,496	43,248
			2,085,934	-	2,085,934	850,904
- Maturity Upto and under 3 Months in FCY		0%	-	-	-	-
	1,2,3	20%	1,023,499	-	1,023,499	204,700
	4,5	50%	126,295	-	126,295	63,148
	6	150%	30,417	-	30,417	45,626
unrated		20%	230,508	-	230,508	46,102
			1,410,719	-	1,410,719	359,576
- Maturity Upto and under 3 Months in PKR		0%	-	1,387,691	1,387,691	-
		20%	2,403,596	(1,387,691)	1,015,905	203,181
			2,403,596	-	2,403,596	203,181
Residential Mortgage Finance		35%	512,489	-	512,489	179,371
Public Sector Entity						
		0%	-	-	-	-
	1	20%	499,919	-	499,919	99,984
	2,3	50%	-	-	-	-
	4,5	100%	-	-	-	-
	6	150%	-	-	-	-
Unrated		50%	15,479	-	15,479	7,740
			515,398	-	515,398	107,724
Sovereigns (SBP / GoP)		0%	41,514,310	-	41,514,310	-
Equity Investments - Listed		100%	2,420,630	-	2,420,630	2,420,630
- Unlisted		150%	85,629	-	85,629	128,444
			2,506,259	-	2,506,259	2,549,074
Past Due Loans (Not Secured by Residential Mortgages)	S.P less than 20%	150%	1,441,514	-	1,441,514	2,162,271
	S.P upto 20%	100%	332,219	-	332,219	332,219
	S.P greater than 50%	50%	293,477	-	293,477	146,739
			2,067,210	-	2,067,210	2,641,229
Investment in fixed assets		100%	1,671,988	-	1,671,988	1,671,988
Other assets		100%	1,684,824	-	1,684,824	1,684,824
Total			78,144,374	-	78,144,374	27,912,687

* Credit Risk Mitigation (CRM)

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43.1.3 Policies and processes for collateral valuation and management as regards Basel II:

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

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

43.2 Equity position risk in the banking book

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

43.3 Market risk

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

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

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

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

Risk reporting undertaken by the Market Risk function includes:

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

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

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

43.3.2 Foreign exchange risk

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

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

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

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

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

	2012			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	----- (Rupees in '000) -----			
Pakistan Rupee	79,838,530	69,084,299	155,690	10,909,921
United States Dollar	3,711,531	3,463,780	(228,852)	18,899
Great Britain Pound	311,221	364,650	53,874	445
Euro	139,360	158,820	23,322	3,862
Other currencies	18,135	680	(4,034)	13,421
	4,180,247	3,987,930	(155,690)	36,627
	<u>84,018,777</u>	<u>73,072,229</u>	<u>-</u>	<u>10,946,548</u>

43.3.3 Equity position risk in trading book

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

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

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43.3.4 Mismatch of interest rate sensitive assets and liabilities

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

	2013										Non-Interest bearing financial instrument	
	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years			
On-balance sheet financial instruments	(Rupees in '000)											
Assets												
Cash and balances with treasury banks	983,134	-	-	-	-	-	-	-	-	-	-	6,781,936
Balances with other banks	67,960	-	-	-	-	-	-	-	-	-	-	474,166
Lendings to financial institutions	20,952,466	-	633,333	-	-	-	-	-	-	-	-	-
Investments	43,855,194	13,706,144	446,980	25,172	2,658,241	3,761,250	2,984,299	2,397,914	-	-	-	4,586,473
Advances	33,769,008	4,623,674	2,441,098	461,411	86,211	175,649	74,035	44,173	690,003	-	-	1,357,192
Other assets	2,028,640	-	-	-	-	-	-	-	-	-	-	2,028,640
	109,555,837	18,331,818	3,521,411	486,583	2,744,452	3,936,899	3,056,334	2,442,087	690,003	-	-	15,230,407
Liabilities												
Bills payable	-	-	-	-	-	-	-	-	-	-	-	1,414,733
Borrowings	18,334,746	837,500	978,600	-	-	-	-	-	-	-	-	-
Deposits and other accounts	42,941,212	7,134,679	3,429,829	3,678,858	17,848	5,600	119,219	5,600	-	-	-	22,728,031
Other liabilities	1,779,845	-	-	-	-	-	-	-	-	-	-	1,721,388
	103,400,760	7,972,179	4,408,429	3,678,858	17,848	5,600	119,219	5,600	-	-	-	25,864,212
On-balance sheet financial instruments	6,155,077	10,359,639	(887,016)	(3,192,275)	2,726,604	3,931,299	2,939,115	2,442,087	690,003	-	-	(10,633,805)
Commitments in respect of derivative financial instruments - Purchase	7,027,435	2,346,901	711,083	-	-	-	542,250	-	-	-	-	-
Commitments in respect of derivative financial instruments - Sale	(7,530,575)	(4,958,405)	(410,895)	-	-	-	(542,250)	-	-	-	-	-
Off-balance sheet gap	(503,140)	(1,551,204)	300,188	-	-	-	-	-	-	-	-	-
Total yield / interest rate sensitivity gap	(3,751,776)	11,087,515	(586,830)	(3,192,275)	2,726,604	3,931,299	2,939,115	2,442,087	690,003	-	-	(10,633,805)
Cumulative yield / interest rate sensitivity gap	(3,751,776)	7,335,739	6,748,909	3,556,634	6,283,238	9,222,353	13,153,652	15,595,739	16,285,742	-	-	-

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	2012										Non-Interest bearing financial instrument	
	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years			
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	602,415	-	-	-	-	-	-	-	-	-	-	4,424,367
Balances with other banks	613	-	-	-	-	-	-	-	-	-	-	1,194,411
Lendings to financial institutions	2,994,641	7,053	708,702	30,562	-	-	-	-	-	-	-	-
Investments	47,884,719	1,771,373	7,194,688	28,458,128	1,416,341	801,511	1,937,030	745,760	-	-	-	3,834,038
Advances	19,909,385	5,636,417	2,638,809	6,318,403	1,69,531	41,277	123,756	8,129	-	-	-	1,394
Other assets	1,604,374	-	-	-	-	-	-	-	-	-	-	1,604,374
	79,361,242	10,959,936	10,542,199	34,807,093	1,585,872	842,788	2,060,786	753,889	499,754	-	-	11,058,564
Liabilities												
Bills payable	713,747	-	-	-	-	-	-	-	-	-	-	713,747
Borrowings	8,704,685	7,581,211	617,100	-	-	-	-	-	-	-	-	200,000
Deposits and other accounts	61,934,787	13,292,186	3,302,673	5,503,740	10,250	13,121	9,974,997	-	-	-	-	17,386,868
Other liabilities	1,580,125	-	48,006	-	66,439	-	-	-	-	-	-	1,465,680
	72,933,344	20,873,397	3,967,779	5,503,740	76,689	13,121	9,974,997	-	-	-	-	19,766,295
On-balance sheet financial instruments	(9,913,461)	(6,506,965)	6,574,420	29,303,353	1,509,183	829,667	(7,914,211)	753,889	499,754	-	-	(8,707,711)
Off-balance sheet financial instruments												
Commitments in respect of derivative financial instruments - Purchase			145,123	-	-	-	-	-	-	-	-	-
Commitments in respect of derivative financial instruments - Sale	(2,450,969)	(1,717,979)	(198,200)	-	-	-	-	-	-	-	-	-
	(156,339)	298,328	(380,667)	-	-	-	-	-	-	-	-	-
Off-balance sheet gap	(9,615,133)	(6,896,652)	6,507,420	29,303,353	1,509,183	829,667	(7,914,211)	753,889	499,754	-	-	(8,707,711)
Total yield / interest risk sensitivity gap	(9,615,133)	(16,511,795)	(10,004,365)	19,298,988	20,909,171	21,637,838	13,723,627	14,477,516	14,977,270	-	-	-
Cumulative yield / interest risk sensitivity gap	(9,615,133)	(16,511,795)	(10,004,365)	19,298,988	20,909,171	21,637,838	13,723,627	14,477,516	14,977,270	-	-	-

Effective yield interest rate - %

On-balance sheet financial instruments

Cash and balances with treasury banks	-
Balances with other banks	-
Lendings to financial institutions	11.55-14.79
Investments	5.75-16.50
Advances	4.25-18.50
Other assets	-

Liabilities

Bills payable	10.0-13.0
Borrowings	5.0-14.70
Deposits and other accounts	-
Other liabilities	-

On-balance sheet financial instruments

Commitments in respect of derivative financial instruments - Purchase	2,292,630
Commitments in respect of derivative financial instruments - Sale	(2,450,969)
	(156,339)

Off-balance sheet gap

Total yield / interest risk sensitivity gap

Cumulative yield / interest risk sensitivity gap

	2013	2012
	(Rupees in '000)	(Rupees in '000)
Reconciliation to total assets		
Balance as per balance sheet	114,746,759	84,018,777
Less: Non financial assets		
Operating fixed assets	3,750,784	3,412,167
Deferred tax assets	1,052,958	860,704
Other assets	389,180	384,664
	5,192,922	4,657,535
	109,553,837	79,361,242

Reconciliation to total assets

Balance as per balance sheet

Less: Non financial assets	
Government duties	40,431
Other Liabilities	-
	40,431

Reconciliation to total assets

Balance as per balance sheet

Less: Non financial assets	
Government duties	40,431
Other Liabilities	-
	40,431

Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

		2012									
		Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
		(Rupees in '000)									
Assets											
Cash and balances with treasury banks	5,027,942	-	-	-	-	-	-	-	-	-	
Balances with other banks	1,193,864	-	-	-	-	-	-	-	-	-	
Lending to financial institutions	3,740,958	7,065	408,721	180,601	233,421	150,100	150,362	-	-	-	
Investments	47,884,719	2,381,937	6,550,897	28,732,957	1,831,414	1,341,609	2,185,307	915,034	-	-	
Advances	19,909,385	2,956,359	1,679,791	382,014	741,640	492,636	418,731	8,129	499,754	-	
Other assets	1,989,038	41,230	46,289	140,508	12,924	941	118	-	-	-	
Operating fixed assets	3,412,167	91,662	100,764	157,265	298,156	281,161	454,643	295,193	1,703,432	-	
Deferred tax assets	860,704	-	-	-	-	-	860,704	-	-	-	
	84,018,777	5,478,253	8,786,462	29,593,345	3,117,555	2,266,447	4,069,865	1,218,356	2,203,186	-	
Liabilities											
Bills payable	713,747	-	-	-	-	-	-	-	-	-	
Borrowings	8,704,685	306,374	617,100	-	-	-	-	-	-	-	
Deposits and other accounts	61,934,787	5,084,956	3,180,640	5,503,740	10,250	13,121	5,150	-	-	-	
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-	
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	
Other liabilities	1,719,010	11,358	103,119	-	66,439	-	50,202	-	49,502	-	
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	
	73,072,229	5,402,688	3,900,859	5,503,740	76,689	13,121	55,352	-	49,502	-	
Net assets	10,946,548	(30,784,970)	4,885,603	24,089,605	3,040,866	2,253,326	4,014,513	1,218,356	2,153,684	-	
Represented by											
Share capital	10,724,643	-	-	-	-	-	-	-	-	-	
Discount on issue of right shares	(2,105,401)	-	-	-	-	-	-	-	-	-	
Statutory reserve	231,441	-	-	-	-	-	-	-	-	-	
Accumulated losses	(50,375)	-	-	-	-	-	-	-	-	-	
Non-controlling interest	1,863,194	-	-	-	-	-	-	-	-	-	
Surplus on revaluation of assets - net	283,046	-	-	-	-	-	-	-	-	-	
	10,946,548	(30,784,970)	4,885,603	24,089,605	3,040,866	2,253,326	4,014,513	1,218,356	2,153,684	-	

10,724,643
(2,105,401)
231,441
(50,375)
1,863,194
283,046
10,946,548

Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

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

	2013							Above to 10 years
	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	
Assets								
Cash and balances with treasury banks	7,775,070	-	-	-	-	-	-	-
Balances with other banks	542,126	-	-	-	-	-	-	-
Lending to financial institutions	18,020,284	50,706	284,422	202,292	2,855,076	105,811	67,208	-
Investments	43,855,194	13,020,402	147,509	221,478	3,067,336	3,293,394	3,988,700	1,956,618
Advances	33,769,008	9,486,842	8,261,011	511,043	857,192	742,540	421,160	690,003
Other assets	2,417,820	1,874,208	209,325	197,085	87,632	2,059	-	-
Operating fixed assets	3,750,784	337,013	86,656	166,308	320,169	281,505	368,235	259,865
Deferred tax assets	1,052,958	-	-	-	-	-	1,052,958	-
	114,748,759	53,160,587	8,988,923	1,298,206	7,187,405	4,425,309	5,898,261	3,053,815
Liabilities								
Bills payable	1,414,793	-	-	-	-	-	-	-
Borrowings	20,150,846	837,500	978,600	-	-	-	-	-
Deposits and other accounts	80,055,276	14,879,370	11,025,929	9,185,482	2,290,651	119,219	22,338,702	-
Sub-ordinated loans	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-
Other liabilities	1,820,276	1,916	-	-	-	-	115,050	-
Deferred tax liabilities	-	-	-	-	-	-	-	-
	103,441,191	15,718,786	12,004,529	9,185,482	2,290,651	119,219	22,453,752	-
Net assets	11,307,568	11,491,815	(3,015,606)	(7,887,276)	4,896,754	4,306,090	(16,555,491)	4,543,989
Represented by								
Share capital	10,724,643	-	-	-	-	-	-	-
Discount on issue of right shares	(2,105,401)	-	-	-	-	-	-	-
Statutory reserve	301,698	-	-	-	-	-	-	-
Accumulated profits	239,766	-	-	-	-	-	-	-
Non-controlling interest	1,866,171	-	-	-	-	-	-	-
Surplus on revaluation of assets - net	280,691	-	-	-	-	-	-	-
	11,307,568	-	-	-	-	-	-	-

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

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

	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 5 years	Over 3 to 5 years
Weighted average	12%	15%	15%	11%	4%	4%	43%

Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

	2012																		
	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										
Total	5,027,942	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Assets																			
Cash and balances with treasury banks	1,193,864	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	2,610,688	7,065	408,721	180,601	233,421	150,100	150,362	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	3,945,564	2,381,937	6,550,897	28,732,957	1,831,414	1,341,609	2,185,307	915,034	-	-	-	-	-	-	-	-	-	-	-
Investments	19,909,385	4,320,360	2,589,125	6,292,685	741,640	492,636	418,731	8,129	499,754	-	-	-	-	-	-	-	-	-	-
Advances	1,989,038	41,230	46,289	140,508	12,924	941	118	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	3,412,167	29,891	100,764	157,265	298,156	281,161	454,643	285,193	1,703,432	-	-	-	-	-	-	-	-	-	-
Operating fixed assets	860,704	-	-	-	-	-	860,704	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	19,101,302	6,842,254	9,695,796	35,504,016	3,117,555	2,266,447	4,069,865	1,218,356	2,203,186	-	-	-	-	-	-	-	-	-	-
Liabilities																			
Bills payable	713,747	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	8,704,685	306,374	617,100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	61,934,787	15,058,983	5,910,703	8,111,770	10,250	13,121	16,929,744	-	-	-	-	-	-	-	-	-	-	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	1,719,010	11,358	103,119	-	66,439	-	50,202	-	49,502	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net assets	73,072,229	25,833,564	6,630,922	8,111,770	76,689	13,121	16,979,946	-	49,502	-	-	-	-	-	-	-	-	-	-
	10,946,548	(6,732,262)	3,064,874	27,392,246	3,040,866	2,253,326	(12,910,081)	1,218,356	2,153,684	-	-	-	-	-	-	-	-	-	-
Represented by																			
Share capital	10,724,643	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Discount on issue of right shares	(2,105,401)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Statutory reserve	231,441	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated losses	(50,375)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-controlling interest	1,863,194	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets - net	283,046	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	10,946,548	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

10,724,643
(2,105,401)
231,441
(50,375)
1,863,194
283,046
10,946,548

	Upto 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years
Weighted average	12%	15%	15%	11%	4%	43%	43%

Notes to the Consolidated Financial Statements

for the year ended December 31, 2013

43.5 Operational risk

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

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

The bank has implemented a comprehensive 'Operational Risk Management Framework' which has also been approved by the Board Risk Management Committee. The purpose of bank-wide Operational Risk Management Framework is 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.

An overall review and updating / consolidation of systems and procedures with the objective of further improving internal controls has been a major objective of the bank during the year so as to be fully compliant with relevant Internal Control guidelines of the State Bank of Pakistan. Accordingly, the Bank has completed / updated detailed documentation of existing process and relevant controls. The bank has duly met the milestones of roadmap pertaining to ICFR (Internal Controls on Financial Reporting). A Steering Committee comprising of senior management has actively overseen the process.

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. Moreover, the Bank has put in place comprehensive IT Security Policy which addresses enterprise wide risk drivers inclusive of technology infrastructure, software hardware and IT security.

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

44. GENERAL

44.1 Reclassification

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

Description	Rupees in (000)	Reclassified	
		From	To
i) Bank balance outside Pakistan - On current accounts	1,160	Cash and balances with treasury banks	Balances with other banks
ii) Provision for Workers' Welfare Fund (WWF)	32,509	Taxation - Current	Other provisions / write offs
iii) Provision for Workers' Welfare Fund (WWF)	5,452	Administrative Expenses	Other provisions / write offs

44.2 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.

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

45. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue by the Board of Directors on February 25, 2014.

Jahangir Siddiqui

Chairman

Khalid Imran

President & Chief Executive Officer

Mazharul Haq Siddiqui

Director

Shahab Anwar Khawaja

Director

Annexure I Details of Written-Off Loan for the Year ended December 31, 2013 for Rs. 500,000 and above

S.No.	Name of Bank / DFI	Full Name of Borrower / Company Name	Status of Borrower (Individual / Company / Firm)	Name of Director / Partner / Proprietor	Father / Husband Name	Address of Borrower	Province	Director Status (Nominee or Elected or Sponsor etc.)	NIC No. of Borrower / Director		Year of write off	Outstanding liabilities Before Adjustment					Amount Written - Off / Waiver	
									New CNIC	Old NIC		Principal	Accrued Mark up	Others	Total (13+14+15)	Principal	Interest / Markup	Others
1	JS Bank Limited	Muhammad Shakir	Individual	Muhammad Shakir	Abdul Khaliq	First Floor, Nazimabad No. 01, Near Nazimabad Post Office Karachi	SINDH	N/A	42101-0906553-5	502-61-559650	2013	5,009,672	3,911,922		8,921,594	2,977,162		2,977,162
2	JS Bank Limited	Usman Goods	Firm	Amir Nasser	Naseerudin	Usman Goods transport Company, Saray Hatan Chand Bainsiwala Bazar Chowk Shah Alam Lahore	PUNJAB	Proprietor	35202-0965263-1	276-87-133783	2013	8,996,690	7,727,809		16,724,499	5,397,272		5,397,272

Annexure II As at December 31, 2013 As referred to in notes 12.2.2 to the financial statements

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

Particulars	Cost	Accumulated depreciation	Written down value	Sale proceeds	Profit / (loss)	Mode of disposal	Buyers' particulars and relationship with Bank (if any)
	(Rupees in '000)						
Vehicles							
Honda Civic	1,370	1,370	-	1,310	1,310	Negotiation	Name: Shoaib Khalid CNIC No.: 35201-3583983-1 Address: House No. 99 A/3, Saint John Park Lahore Cantt.
Honda Civic	1,764	911	853	1,502	649	Negotiation	Name: Suhaib Sarmad CNIC No.: 61101-7607516-3 Address: House No. 40, Nazim-Ud-Din road, F-8/4 Islamabad
Honda Civic	1,376	1,376	-	1,143	1,143	Negotiation	Name: Sultan Hasan CNIC No.: 42101-1926350-5 Address: House No 908/12, F B Area Karachi
Honda Civic	1,376	1,376	-	1,097	1,097	Negotiation	Name: Rana Farroq Azam CNIC No.: 61101-1956008-5 Address: House No. 992, Street No. 108, Sector G-9/4, Islamabad
Honda Civic	1,376	1,376	-	1,190	1,190	Negotiation	Name: Munewar Durrani JS Staff CNIC No.: 42000-1205874-1 Address: House No. 31, Street 32, Safrai Villas-3, Phase II Extension, Bahria Town
Honda Civic	1,757	908	849	1,512	663	Negotiation	Name: Faheen Ahmed JS Staff CNIC No.: 35301-1978657-7 Address: House No. 1, Street No.1, Abdul Sher Ghazi, Deeplapur
Honda Civic	1,429	1,429	-	1,199	1,199	Negotiation	Name: Iqbal Khilji CNIC No.: 42101-8918941-3 Address: House # 5C 11/9, Nazimabad Karachi
Honda Civic	1,376	1,376	-	1,057	1,057	Negotiation	Name: Sultan Hassan Address: CNIC No.: 42101-1926350-5 Address: House No 908/12 F B Area Karachi
Honda Civic	1,376	1,376	-	1,081	1,081	Negotiation	Name: Ali Kazi CNIC No.: 42201-0467169-5 Address: House No.405, Mudasar Taris Mirzs Khaleej Baig Solider Bazar , Karachi.
Honda Civic	1,825	664	1,161	1,590	429	Negotiation	Name: Noman Mubashir CNIC No.: 41304-2325467-5 Address: Resident of House no. 9 Alam Plaza 1st Floor Unit 6, Latifabad Hyderabad Karachi.
Honda Civic	1,759	1,583	176	1,161	985	Negotiation	Name: Wasim Mirza CNIC No.: 44204-4438942-7 Address: House No 292, Shahdadpur.
Honda Civic	1,820	872	948	1,375	427	Negotiation	Name: Wasim Mirza CNIC No.: 44204-4438942-7 Address: House No 292, Shahdadpur.
Toyota Corolla	1,709	1,709	-	1,100	1,100	Negotiation	Name: Sumair Motors CNIC No.: N/A Address: Muslimabad shop No. 14, M.A Jinnah Road Karachi
Toyota Corolla	1,015	1,015	-	1,020	1,020	Negotiation	Name: Iqbal Khilji CNIC No.: 42101-8918941-3 Address: House # 5C 11/9 Nazimabad Karachi.
Toyota Corolla	1,578	316	1,262	1,578	316	Insurance Claim	Name: EFU General Insurance Limited - related party, Address: 1st Floor Kashif Centre Main Shahra-e-faisal Karachi.
Toyota Corolla	1,379	1,134	245	1,170	925	Negotiation	Name: Baber Rahim CNIC No.: 82203-0750019-1 Address: Muhall Sephi Bagh, Muzafarabad, AJK.
Toyota Corolla	1,005	988	17	1,080	1,063	Negotiation	Name: Wasim Mirza CNIC No.: 44204-4438942-7 Address: House No 292, Shahdadpur.
Balance c/f	25,290	19,779	5,511	21,165	15,654		

Particulars	Cost	Accumulated depreciation	Written down value	Sale proceeds	Profit / (loss)	Mode of disposal	Buyers' particulars and relationship with Bank (if any)
	----- (Rupees in '000) -----						
Balance b/f	25,290	19,779	5,511	21,165	15,654		
Toyota Corolla	1,025	1,025	-	975	975	Negotiation	Name: MR. Arafat Yaseen CNIC No.: 42301-3380449-9 Address: Staff JS Bank Limited
Toyota Corolla	1,005	1,005	-	936	936	Negotiation	Name: Iqbal Khilji CNIC No.: 42101-8918941-3 Address: House # 5C 11/9 Nazimabad Karachi.
Toyota Corolla	1,384	969	415	1,222	807	Negotiation	Name: Huziafa Arif CNIC No.: 42000-7843853-5 Address: House No. E-11 Block -8 Gulshan-e-Iqbal Karachi.
Toyota Corolla	1,529	612	917	1,356	439	Negotiation	Name: Iqbal Khilji CNIC No.: 42101-8918941-3 Address: House # 5C 11/9 Nazimabad Karachi.
Toyota Corolla	1,384	899	485	1,206	721	Negotiation	Name: Iqbal Khilji CNIC No.: 42101-8918941-3 Address: House # 5C 11/9 Nazimabad Karachi.
Toyota Corolla	1,414	848	566	1,151	585	Negotiation	Name: Islam Khan CNIC No.: 42101-2000001-7 Address: House no. E-92 North Nazimabad Block-R Karachi.
Toyota Corolla	1,025	1,025	-	1,016	1,016	Negotiation	Name: Asif Hameed CNIC No.: 425019834117-9 Address: Choti Masjid Zila Multan.
Toyota Corolla	1,426	784	642	1,232	590		Name: Info tainment World (Pvt.) Ltd. CNIC No.: N/A Address: Business Avenue, Shakra-e-Faisal Karachi
Toyota Corolla	1,414	871	543	1,250	707	Insurance Claim	Name: EFU General Insurance Limited - related party. Address: 1st Floor Kashif Centre Main Shakra-e-Faisal Karachi.
Toyota Corolla	1,319	1,275	44	818	774	Negotiation	Name: Ghulam Asghar CNIC No.: 7405-0398104-7 Address: House No 4223D Ghawarmandi Rawalpindi.
Toyota Corolla	1,607	429	1,178	1,450	272	Insurance Claim	Name: "EFU General Insurance Limited - related party" Address: 1st Floor Kashif Centre Main Shakra-e-faisal Karachi.
Toyota Corolla	1,319	1,319	-	969	969	Negotiation	Name: Zeeshan Abdullah CNIC No.: 42101-1858941-1 Address: House No F-96-A Blk B North Nazimabad.
Toyota Corolla	1,319	1,319	-	984	984	Negotiation	Name: Ali Akber CNIC No.: 42101 1549210 7 Address: House No A 592 Blk 12 Gulbergh F.B.Area.
Toyota Corolla	1,319	1,275	44	1,085	1,041	Negotiation	Name: Khawar Mahmood CNIC No.: 35201-9383400-7 Address: Shadman Town Lahore.
Toyota Corolla	1,005	955	50	1,022	972		Name: Iqbal Khilji CNIC No.: 42101-8918941-3 Address: House # 5C 11/9 Nazimabad Karachi.
Suzuki Cultus	855	542	313	696	383	Negotiation	Name: Fahad Sheikh CNIC No.: 42301-883177-4 Address: House No. 122/II Main Khayaban-e- Shahbaz Phase II DHA Karachi.
Suzuki Cultus	830	581	249	732	483	Negotiation	Name: Huziafa Arif CNIC No.: 42000-7843853-5 Address: House No 11 Gulshan E Iqbal Karachi.
Suzuki Cultus	891	399	492	725	233	Negotiation	Name: Wajahat Ali CNIC No.: 42201-3244319-1 Address: Abdul Rehman Street, House NO 50,416, Soilder Bazar.
	47,360	35,911	11,449	39,990	28,541		
Electrical, office and computer equipment Generator	775	428	347	660	313	Negotiation	Name: EFU General Insurance Limited - related party Address: 1st Floor Kashif Centre Main Shakra-e-Faisal Karachi.
Others (Note 12.2.3)	16,103	13,010	3,093	14,118	11,025	Various	
2013	64,238	49,349	14,889	54,768	39,879		
2012	73,860	50,207	23,653	69,155	45,502		

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

Annexure III As at December 31, 2013 As referred to in notes 13.2.2 to the financial statements

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

Particulars	Cost	Accumulated depreciation	Written down value	Sale proceeds	Profit / (loss)	Mode of disposal	Buyers' particulars and relationship with Bank (if any)
----- (Rupees in '000) -----							
Vehicles							
Toyota Corolla	1,709	1,709	-	1,100	1,100	Negotiation	Name: Sumair Motors CNIC No.: N/A Address: Muslimabad shop No. 14, M.A Jinnah Road Karachi
Honda	1,370	1,370	-	1,310	1,310	Negotiation	Name: Shoaib Khalid CNIC No.: 35201-3583983-1 Address: House No. 99 A/3, Saint John Park Lahore Cantt.
Honda	1,764	911	853	1,502	649	Negotiation	Name: Suhaib Sarmad CNIC No.: 61101-7607516-3 Address: House No. 40, Nazim-Ud-Din road, F-8/4 Islamabad
Honda	1,376	1,376	-	1,143	1,143	Negotiation	Name: Sultan Hasan CNIC No.: 42101-1926350-5 Address: House No 908/12, F B Area Karachi
Honda	1,376	1,376	-	1,097	1,097	Negotiation	Name: Rana Farroq Azam CNIC No.: 61101-1956008-5 Address: House No. 992, Street No. 108, Sector G-9/4, Islamabad
Honda	1,376	1,376	-	1,190	1,190	Negotiation	Name: Munewar Durrani JS Staff CNIC No.: 42000-1205874-1 Address: House No. 31, Street 32, Safrai Villas-3, Phase II Extention, Bahria Town
Honda	1,757	908	849	1,512	663	Negotiation	Name: Faheen Ahmed JS Staff CNIC No.: 35301-1978657-7 Address: House No. 1, Street No.1, Abdul Sher Ghazi, Deeplapur
Honda	1,429	1,429	-	1,199	1,199	Negotiation	Name: Iqbal Khilji CNIC No.: 42101-8918941-3 Address: House # 5C 11/9, Nazimabad Karachi
Honda	1,376	1,376	-	1,057	1,057	Negotiation	Name: Sultan Hassan CNIC No.: 42101-1926350-5 Address: House No 908/12 F B Area Karachi
Honda	1,376	1,376	-	1,081	1,081	Negotiation	Name: Ali Kazi CNIC No.: 42201-0467169-5 Address: House No.405, Mudasar Taris Mirzs Khaleej Baig Solider Bazar , Karachi.
Honda	1,825	664	1,161	1,590	429	Negotiation	Name: Noman Mubashir CNIC No.: 41304-2325467-5 Address: Resident of House# 9 Alam Plaza 1st Floor Unit 6, Latifabad Hyderabad.
Honda	1,759	1,583	176	1,161	985	Negotiation	Name: Wasim Mirza CNIC No.: 44204-4438942-7 Address: House No 292, Shahdadpur
Honda	1,820	872	948	1,375	427	Negotiation	Name: Wasim Mirza CNIC No.: 44204-4438942-7 Address: House No 292, Shahdadpur
Toyota Corolla	1,015	1,015	-	1,020	1,020	Negotiation	Name: Iqbal Khilji CNIC No.: 42101-8918941-3 Address: House # 5C 11/9 Nazimabad Karachi
Toyota Corolla	1,578	316	1,262	1,578	316	Insurance Claim	Name: EFU General Insurance Limited - related party, Address: 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Toyota Corolla	1,379	1,134	245	1,170	925	Negotiation	Name: Baber Rahim JS Bank Staff CNIC No.: 82203-0750019-1 Address: Mohalla Safi Bagh, Muzaffarabad A.J.K.
Toyota Corolla	1,005	988	17	1,080	1,063	Negotiation	Name: Wasim Mirza CNIC No.: 44204-4438942-7 Address: House No 292, Shahdadpur
Balance c/f	25,290	19,779	5,511	21,165	15,654		

Particulars	Cost	Accumulated depreciation	Written down value	Sale proceeds	Profit / (loss)	Mode of disposal	Buyers' particulars and relationship with Bank (if any)
	(Rupees in '000)						
Balance b/f	25,290	19,779	5,511	21,165	15,654		
Toyota Corolla	1,025	1,025	-	975	975	Negotiation	Name: MR. Arafat Yaseen CNIC No.: 42301-3380449-9 Address: Staff JS Bank Limited
Toyota Corolla	1,005	1,005	-	936	936	Negotiation	Name: Iqbal Khilji CNIC No.: 42101-8918941-3 Address: House # 5C 11/9 Nazimabad Karachi.
Toyota Corolla	1,384	969	415	1,222	807	Negotiation	Name: Huziafa Arif CNIC No.: 42000-7843853-5 Address: House No. E-11 Block -8 Gulshan-e-Iqbal Karachi.
Toyota Corolla	1,529	612	917	1,356	439	Negotiation	Name: Iqbal Khilji CNIC No.: 42101-8918941-3 Address: House # 5C 11/9 Nazimabad Karachi.
Toyota Corolla	1,384	899	485	1,206	721	Negotiation	Name: Iqbal Khilji CNIC No.: 42101-8918941-3 Address: House # 5C 11/9 Nazimabad Karachi.
Toyota Corolla	1,414	848	566	1,151	585	Negotiation	Name: Islam Khan CNIC No.: 42101-2000001-7 Address: House no. E-92 North Nazimabad Block-R Karachi.
Toyota Corolla	1,025	1,025	-	1,016	1,016	Negotiation	Name: Asif Hameed CNIC No.: 425019834117-9 Address: Choti Masjid Zila Multan.
Toyota Corolla	1,426	784	642	1,232	590		Name: Infotainment World Pvt. Ltd. CNIC No.: N/A Address: Business Avenue, Shahrah-e-Faisal, Karachi.
Toyota Corolla	1,414	871	543	1,250	707	Insurance Claim	Name: EFU General Insurance Limited - related party. Address: 1st Floor Kashif Centre Main Shahra-e-faisal Karachi.
Toyota Corolla	1,319	1,275	44	818	774	Negotiation	Name: Ghulam Asghar CNIC No.: 7405-0398104-7 Address: House No 4223D Ghawarmandi Rawalpindi.
Toyota Corolla	1,607	429	1,178	1,450	272	Insurance Claim	Name: "EFU General Insurance Limited - related party" Address: 1st Floor Kashif Centre Main Shahra-e-faisal Karachi.
Toyota Corolla	1,319	1,319	-	969	969	Negotiation	Name: Zeeshan Abdullah CNIC No.: 42101-1858941-1 Address: House No F-96-A Blk B North Nazimabad.
Toyota Corolla	1,319	1,319	-	984	984	Negotiation	Name: Ali Akber CNIC No.: 42101 1549210 7 Address: House No A 592 Blk 12 Gulbergh F.B.Area.
Toyota Corolla	1,319	1,275	44	1,085	1,041	Negotiation	Name: Khawar Mahmood CNIC No.: 35201-9383400-7 Address: Shadman Town Lahore.
Toyota	1,005	955	50	1,022	972		Name: Iqbal Khilji CNIC No.: 42101-8918941-3 Address: House # 5C 11/9 Nazimabad Karachi.
Suzuki	855	542	313	696	383	Negotiation	Name: Fahad Sheikh CNIC No.: 42301-883177-4 Address: House No. 122/II Main Khayaban-e- Shahbaz Phase II DHA Karachi.
Suzuki	830	581	249	732	483	Negotiation	Name: Huzaifa Arif CNIC No.: 42000-7843853-5 Address: House No 11 Gulshan E Iqbal Karachi.
Suzuki	891	399	492	725	233	Negotiation	Name: Wajahat Ali CNIC No.: 42201-3244319-1 Address: Abdul Rehman Street House NO 50,416 Solder Bazar.
Honda City	859	859	-	700	700	Negotiations	Name: Riffat Ahmed CNIC No.: 42101-4568824-3 Address: House # 832/A, sector 10-A, Noth Karachi
Daihatsu Coure	650	217	433	683	249	On Loan Basis	Name: Kashif Haroon-Employee CNIC No.: 42101-4734953-3 Address: House #.395/3, Kutyana Manzil, F.B.Area, Karachi
Suzuki Alto	500	275	225	217	(8)	On Loan Basis	Name: Umar Iqbal-Employee CNIC No.: 42501-9456209-9 Address: Flat # A-28, Dashtiyar Appartment, KDA Scheme # 33, Main University Road, Karachi
Balance c/f	49,369	37,262	12,107	41,590	29,482		

Particulars	Cost	Accumulated depreciation	Written down value	Sale proceeds	Profit / (loss)	Mode of disposal	Buyers' particulars and relationship with Bank (if any)
	----- (Rupees in '000) -----						
Balance b/f	49,369	37,262	12,107	41,590	29,482		
Terrece	415	187	228	461	233	On Loan Basis	Name: Abdul Rauf-Employee CNIC No.: 42000-0908979-5 Address: House #.286, Street #.10, Block-C, Bhitaiabad, Malir, Karachi.
Suzuki Mehran	443	443	-	-	-	On Loan Basis	Name: Abdul Samad-Employee CNIC No.: 42101-7272498-9 Address: House #.A-550, Sector 11-B, North Karachi.
Suzuki Cultus	538	295	243	218	(24)	On Loan Basis	Name: S.M.Tariq Nabeel Jafri-Employee CNIC No.: 42101-1691773-5 Address: House #.R-1541, Block-15, F.B.Area, Karachi.
Suzuki Cultus	525	525	-	179	179	On Loan Basis	Name: Syed Shakeel Ahmed-Employee CNIC No.: 42101-1396120-3 Address: R-29, Sector 7-D-1, North Karachi
Suzuki Cultus	600	30	570	560	(10)	On Loan Basis	Name: Nomita Farooq-Employee CNIC No.: 42000-0404985-6 Address: Plot # 29/C, Flat #.2132, Khayaban-e-Muhafiz, Phase VI, DHA, Karachi
Honda Civic	1,462	1,462	-	1,060	1,060	On Loan Basis	Name: Wasim Mirza CNIC No.: 44204-4438942-7 Address: A-32, Block- 10/A, Gulshan-e-Iqbal, Karachi
Suzuki Cultus	569	569	-	511	511	Negotiations	Name: Naseem Khan CNIC No.: 42301-6432731-1 Address: 5-A, Upper gizre, karachi
Honda city	859	859	-	772	772	Negotiations	Name: Mr. Arshad CNIC No.: 44204-6434371-6 Address: 7/A. Gulshan-e-maymar Karachi
Honda city	859	859	-	826	826	Negotiations	Name: Mr. Ali CNIC No.: 4200-5435387-7 Address: 865/A Zia Coloney, Karachi
Toyota Corolla	892	892	-	950	950	Negotiations	Name: Mr. Kashif Kamran CNIC No.: 42201-54816047-7 Address: A-42, kehkashan Banglows, Clifton karachi
Suzuki Cultus	839	461	378	378	-	Negotiations	Name: Mr. Shahbaz CNIC No.: 44204-4586577-5 Address: 165,-A, North Nazimabad, Karachi
	57,370	43,844	13,526	47,505	33,979		
Voice Recorder	3,790	3,790	-	500	500	Negotiations	Name: Amfco Systems
Generator	775	428	347	660	313	Negotiation	Name: "EFU General Insurance Limited - related party Address: 1st Floor Kashif Centre Main Shahra-e-Faisal Karachi
Others (Note 13.2.3)	18,069	14,306	3,763	15,509	11,747	Various	Various
2013	80,004	62,368	17,636	64,174	46,539		
2012	73,860	50,207	23,653	69,155	45,502		

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

Branch Network

SINDH - Karachi

Shaheen Complex Branch

Tel: 111 572 265 & 3227 2569 - 80

Karachi Stock Exchange Branch

Tel: 021 3246 2851 - 4

S.I.T.E. Branch

Tel: 021 3255 0080 - 4

Khayaban-e-Ittehad, DHA Branch

Tel: 021 3531 3811 - 4

Park Towers Branch

Tel: 021 3583 2011 - 9

Teen Talwar Clifton Branch

Tel: 021 3583 4127 - 3583 6974

Gulshan-e-Iqbal Branch

Tel: 021 3482 9055 - 60

Shahrah-e-Faisal Branch

Tel: 021 3437 3240 - 4

North Nazimabad Branch

Tel: 021 3672 1010 - 2

Gulistan-e-Jauhar Branch

Tel: 021 3466 2002 - 5

Safoora Goth Branch

Tel: 021 3466 1805 - 9

Jheel Park Branch

Tel: 021 3454 4831 - 5

Nazimabad Branch

Tel: 021 3661 2325, 3661 2319, 3661 2236

Korangi Industrial Area Branch

Tel: 021 3505 5826 & 3505 2773

Zamzama Branch

Tel: 021 35295224 - 5

Federal B Area Branch

Tel: 021 3631 6229, 3631 6244, 3631 6324

Khayaban-e-Shahbaz, DHA Branch

Tel: 021 3524 3415 - 9

Gulshan Chowrangi Branch

Tel: 021 3483 3290 - 3

Dhoraji Branch

Tel: 021 3494 6280 - 2

Shah Faisal Colony Branch

Tel: 021 3468 6191 - 4

Islamia College Branch

Tel: 021 3492 4021 - 4

M.A. Jinnah Road Branch

Tel: 021 3274 2006 - 8

Lucky Star Branch

Tel: 021 3562 2431 - 9

Gulshan-e-Hadeed Branch

Tel: 021 3471 5201 - 3 & 3471 5205

Cloth Market Branch

Tel: 021 3246 4042 - 8

Mauripur Branch

Tel: 021 3235 4060 - 3

Garden Branch

Tel: 021 3224 0093 - 7

Timber Market Branch

Tel: 021 3276 3079 - 3276 3095 - 3276 0820

Abul Hasan Isphahani Road Branch

Tel: 021 3469 354 - 9

Jodia Bazar Branch

Tel: 021 3243 5304 - 6 & 3246 3456

New Chali Branch

Tel: 021 3260 210 - 3

North Napier Branch

Tel: 32467791 - 94

Saddar Electronic Market Branch

Tel: 32700430 - 33

Urdu Bazar Branch

Tel: 32603075 - 77

Bahadurabad Branch

Tel: 34922802 -05

Fancy View Sohrab Goth Branch

Tel: 34690612 - 17

UP Morr Branch

Tel: 36948010-15

Landhi Branch

Tel: 35046923 - 25

North Karachi Industrial Area Branch

Orangi Town Branch

26 Street DHA Branch

Haideri Market Branch

Hyderabad

Saddar Branch

Tel: 022 273 0925 -7

Latifabad Branch

Tel: 022 381 7971 - 4

Cloth Market Branch

Tel: 0222 618270 0 - 13 - 4

Qasimabad Branch

Tel: 0222652191

Citizen Colony Branch

Tel: 022 2100892 - 95

SITE Branch

Jamshoro Branch

Tel: 022 387 8101 - 4

Sanghar Branch

Tel: 0235 800162 - 5

Al Abbas Sugar Mill Branch

Mirwah Gorchani

Tel: 023 38962355

Mirpurkhas Branch

Tel: 0233 876 001 - 4

Shaheed Gunj Branch

Sukkur

Tel: 071 562 7481 - 2

IBA Campus Branch

Tel: 071 563 3826

Military Road Branch

Branch Network

Larkana Branch

Tel: 074 405 8603 - 5

Khairpur Branch

Tel: 0243715316 - 8

Maatli Branch Badin

Tel: 029 7841514

Nawabshah Branch

Tel: 024 4330 561 - 4

Sultanabad Branch

Tel: 0233 500498

Tando Allahyar Branch

Tel: 022 3892001 - 4

Chambar Branch

Tel: 022 3897033 - 35

Moro Branch

Tel: 024 2413200 - 3

Kunri Branch

Tel: 0238 558 163 - 6

Tando Mohammad Khan Branch

Tel: 022 3340617 - 8

Digri Branch

Tel: 023 3870 305 - 7

Sehwan Sharif Branch

Tel: 025 4620305 - 7

Pano Aqil Branch

Tel: 071 5690403

Ghotki Branch

Tel: 0723 600484 - 85

Kandh Kot Branch Kashmir

Tel: 072 2573048

Shahdad Kot Branch

Tel: 074 4013160

Shahdadpur Branch

Tel: 0235 - 843174 - 75

Mithi Branch

Tel: 0232 - 261651

Tando Adam Branch

Tel: 0235 - 571880 - 81

Mehar Branch

Tel: 025 - 4730186

Dadu Branch

Tel: 025 - 4711601- 02

Jacobabad Branch

Tel: 0722 - 652677

Badin Branch

Tando Jam Branch

Thatta Branch

Umer Kot Branch

Sheikh Berkiyo Branch

BALUCHISTAN - Quetta

M.A. Jinnah Road Branch

Tel: 081 286 5501 - 4

Chamman Branch

Tel: 0826 - 61807 0 - 75

Zarghoon Road Branch

PUNJAB - Lahore

Upper Mall Branch

Tel: 042 111 572 265, 3577 6515 - 30

DHA Branch

Tel: 042 3569 2953 - 61

Allama Iqbal Town Branch

Tel: 042 3543 4253 - 5

Azam Cloth Branch

Tel: 042-37671195 - 6

Shadman Town Branch

Tel: 042 3750 3701 - 8

College Road Branch

Tel: 042#35117491 - 94

Devine Mega Mall Branch

Tel: 042-35700081- 85

Bhagbanpura Branch

Tel: 04236858873 - 74

Chowburji Branch

Tel: 042 3736 2981 - 8

Wapda Town Branch

Tel: 042 3521 1557 - 64

M.M. Alam Road, Gulberg Branch

Tel: 042 3577 8721 - 30

Model Town Branch

Tel: 042 3591 5614 - 8

Circular Road Branch

Tel: 042 3737 9325 - 8

Brandreth Road Branch

Tel: 042 3738 1316 - 9

DHA Phase II Branch

Tel: 042 3570 7651 - 9

Shah Alam Market Branch

Tel: 042 3737 5734 - 7

Cavalry Ground Branch

Tel: 042 366 10282 - 4

Raiwand Road Branch

Tel: 042 529 1247 - 8

Urdu bazaar Branch

Tel: 042 37115918

Badami Bagh Branch

Tel: 042-37946853 - 54

Bahria Town Branch

Ferozpur Road Branch

Jauharabad Branch

Tel: 0454 -723319 - 20 - 22

Muridke Branch

Tel: 042 3795 1054 - 7

Sadiqabad Branch

Tel: 068-5803933 - 38

Agrow Warburton Branch Nankana

Tel: 056 279 4068

Gujranwala

G.T. Road Branch

Tel: 055 325 7363, 055 325 7365 055 325 7617

Bank Square Branch

Tel: 055 4234401- 3

Branch Network

Faisalabad

Grain Market Branch
Tel: 041-2633382 - 84

Karkhana Bazar Branch
Tel: 041 2624501- 3

Kotwali Road Branch
Tel: 041 241 2263 - 041 241 2265 -
041 241 2271

Rabwa Branch
Tel: 047 621 4042 - 5

Narowal Branch
Tel: 0542 - 411271 - 73

Multan

Abdali Road Branch
Tel: 061 457 4496 - 061 457 4469 -
061 457 4364

Vehari Road Branch
Tel: 06 1- 6241101 - 02 - 05

Bosan Road Branch

Dipalpur Branch
Tel: 044 454 2246 - 9

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

Jhang Branch
Tel: 047 -7652941 - 43

Haronabad Branch
Tel: 063- 2250614 - 15

Sialkot

Cantt Branch
Tel: 052 427 2351 - 4

Shahab Pura Branch
Tel: 052 4242681

Daska Branch
Tel: 052 661 0461 - 4

Bhakkar Branch
Tel: 0453-510407 - 409

Rahim Yar Khan Branch
Tel: 068 587 9511 - 4

Kasur

Chandni Chowk Branch
Tel: 049 276 158 - 4

Agrow Kasur Branch
Tel: 049-2771308 - 9

Sheikhupura Branch
Tel: 056 3810273 - 6

Agrow Sheikhupura Branch
Tel: 056 3035790

Gujrat Branch
Tel: 053 353 8091 - 4

Sahiwal Branch
Tel: 040 422 2733 - 5

Chichawatni Branch

Sahiwal
Tel: 040 5481792

Okara Branch
Tel: 044 252 872 - 30

Mandi Bahauddin Branch
Tel: 0546 509452 - 3

Sargodha Branch
Tel: 048 3768286 - 90

Bhawalpur Branch
Tel: 062-2889176 - 78

DG Khan
Tel: 064 2470954

Arifwala Branch
Tel: 0457 835 477 - 81

Vehari Branch
Tel: 067 336 0715 - 8

Pak Pattan Branch
Tel: 0457 352591- 4
& 0457 352001- 5

Agrow Pak Pattan Branch
Tel: 0457419629

Khanewal Branch
Tel: 065 255 7491 - 3

Dina Branch
Tel: 054 4634273 - 5

Jehlum Branch

Tel: 0544 611840 - 3

Agrow Chishtian Branch
Tel: 063 2023490

Kharian Branch
Tel: 053 7534211

Toba Tek Singh Branch
Tel: 046 2512052 - 5

Burewala Branch
Tel: 067 3351359

Lalamusa Branch
Tel: 0537 519656 - 8

Hafizabad Branch
Tel: 0547 526 407 - 10

Sambrial Branch
Tel: 052 6524105

Muzaffargarh Branch
Tel: 066 2424691-2, 066 2424695 &
066 2424687

Wazirabad Branch
Tel: 055 660584 1- 3

Gojra Branch
Tel: 046 3513637

Pirmahal Branch
Tel: 046 3367406 -7

Chakwal Branch
Tel: 054 3554317

Hasilpur Branch
Tel: 0622 441305 -8

Leiah Branch
Tel: 0606 415045

Mian Chunnoo Branch
Tel: 065 2661282 - 85

Rawalpindi

Satellite Town Branch
Tel: 051 484 2984 - 6

Bank Road Branch
Tel: 051 512 0731 - 5

Branch Network

Raja Bazar Branch
Tel: 051 5778 560 - 3

Bahria Town Branch
Tel: 051 573 1351 - 4

Bahria Town Phase 7 Branch
Tel: 051-5154891 - 4

Saidpur Branch
Tel: 051-5768049 - 051-5768051

Peshawar Road Branch
Tel: 051 549 2873 - 4 & 549 2870

Taxila Branch
Tel: 051 4535315

Jinnah Road Branch
Tel: 051-5778560-3

Islamabad

Blue Area Branch
Tel: 051 111 572 265 &
051 2810121 - 4

I-9 Markaz Branch
Tel: 051 443 1296 - 8

F-8 Markaz Branch
Tel: 051 281 8296 - 8

F-7 Markaz Branch
Tel: 051 260 8402 - 5

I-8 Markaz Branch
Tel: 051 486 4523 - 6

F-10 Markaz
Tel: 051 -2112957 - 58

Islamabad Stock Exchange Branch
Tel: 051 2894407-10

DHA Phase II Branch
Tel: 051 4358882

Khanna Pul Branch
Tel: 051-4478006 - 07

G-11 Branch

Chiniot Branch

Lodhran Branch

Bhawalnagar Branch

**Sheikhupura Road Branch
Gujranwala**

Nankana Sahab Branch

KHYBER PAKHTOONKHTWA

Peshawar

Cantt Branch
Tel: 091 527 9981 - 4 &
091 528 7455 - 6

University Road Branch
Tel: 091 571 1572 - 5

Karkhano Bazar Branch
Tel: 091 5893134-7& 51 -54

Sikandar Pura Branch
Tel: 091-2593901 - 4

Topi Branch
Tel: 0938-272003 - 4

Mardan Branch
Tel: 0937 873445 - 873452

DI Khan Branch
Tel: 0966-733216 - 19

Mingora Swat Branch
Tel: 0946-711740 - 43

Abbottabad Branch
Tel: 099 233 1491 - 4

Saleh Khana Branch

AZAD JAMMU & KASHMIR (AJK)

Attock Branch
Tel: 057 261 0500, 261 0480,
261 0780, 270 3050

Chaksawari Branch
Tel: 058 27 454 790

Mirpur Branch
Tel: 058 27 437281 - 4

Jatlan Branch
Tel: 058 27 404 388

Dadyal Branch

Tel: 058 630 44668 - 70 &
058 27465668 - 70

Naarr Branch

Tel: 05826-420784 - 85

Muzaffarabad Branch

Tel: 058 22 929 765 - 7

Kotli Branch

Tel: 058 26 448228 - 30

Khui Ratta Branch

Tel: 058 26 414906 - 7

Sehensa Branch

Tel: 05826-42277 9 - 422300

Rawalakot Branch

Tel: 05824 - 445961 - 63

Charroi Branch

GILGIT BALTISTAN

Gilgit Branch
Tel: 05811 - 50615 - 7

Pattern of Shareholding

Pattern of holding of the Shares held by the shareholders as at December 31, 2013

No. of Shareholdings	Shareholdings	Total Shares Held
687	Shareholding From 1 To 100	10,410
869	Shareholding From 101 To 500	358,398
1032	Shareholding From 501 To 1000	985,716
2236	Shareholding From 1001 To 5000	6,703,088
786	Shareholding From 5001 To 10000	6,370,434
318	Shareholding From 10001 To 15000	4,094,255
237	Shareholding From 15001 To 20000	4,400,195
179	Shareholding From 20001 To 25000	4,185,585
97	Shareholding From 25001 To 30000	2,767,875
50	Shareholding From 30001 To 35000	1,655,434
56	Shareholding From 35001 To 40000	2,178,469
34	Shareholding From 40001 To 45000	1,492,643
103	Shareholding From 45001 To 50000	5,080,678
27	Shareholding From 50001 To 55000	1,421,674
20	Shareholding From 55001 To 60000	1,169,334
12	Shareholding From 60001 To 65000	760,809
15	Shareholding From 65001 To 70000	1,031,129
21	Shareholding From 70001 To 75000	1,543,581
13	Shareholding From 75001 To 80000	1,025,800
13	Shareholding From 80001 To 85000	1,080,299
13	Shareholding From 85001 To 90000	1,149,642
4	Shareholding From 90001 To 95000	371,589
55	Shareholding From 95001 To 100000	5,498,007
14	Shareholding From 100001 To 105000	1,439,515
10	Shareholding From 105001 To 110000	1,087,389
9	Shareholding From 110001 To 115000	1,020,818
7	Shareholding From 115001 To 120000	831,350
3	Shareholding From 120001 To 125000	372,875
3	Shareholding From 125001 To 130000	387,000
4	Shareholding From 130001 To 135000	535,890
4	Shareholding From 135001 To 140000	555,000
3	Shareholding From 140001 To 145000	429,000
14	Shareholding From 145001 To 150000	2,098,000
7	Shareholding From 150001 To 155000	1,074,918
2	Shareholding From 155001 To 160000	317,949
3	Shareholding From 160001 To 165000	491,000
1	Shareholding From 165001 To 170000	170,000
8	Shareholding From 170001 To 175000	1,390,963
2	Shareholding From 175001 To 180000	360,000
4	Shareholding From 180001 To 185000	734,928
3	Shareholding From 185001 To 190000	565,500
13	Shareholding From 195001 To 200000	2,599,500
2	Shareholding From 200001 To 205000	404,839
2	Shareholding From 205001 To 210000	417,000
1	Shareholding From 210001 To 215000	211,000
1	Shareholding From 215001 To 220000	218,700
3	Shareholding From 220001 To 225000	675,000
2	Shareholding From 230001 To 235000	465,250
3	Shareholding From 235001 To 240000	714,352
7	Shareholding From 245001 To 250000	1,748,500
3	Shareholding From 255001 To 260000	776,195
3	Shareholding From 260001 To 265000	792,000
1	Shareholding From 265001 To 270000	266,630
1	Shareholding From 270001 To 275000	274,500
1	Shareholding From 275001 To 280000	278,200
9	Shareholding From 295001 To 300000	2,700,000
1	Shareholding From 300001 To 305000	301,500
1	Shareholding From 305001 To 310000	307,000
2	Shareholding From 320001 To 325000	649,062
1	Shareholding From 325001 To 330000	328,320
1	Shareholding From 340001 To 345000	344,000
1	Shareholding From 345001 To 350000	350,000
1	Shareholding From 355001 To 360000	355,500

Pattern of Shareholding

No. of Shareholdings	Shareholdings	Total Shares Held
1	Shareholding From 360001 To 365000	365,000
1	Shareholding From 370001 To 375000	370,850
1	Shareholding From 375001 To 380000	376,500
2	Shareholding From 395001 To 400000	800,000
2	Shareholding From 400001 To 405000	806,000
2	Shareholding From 420001 To 425000	848,500
1	Shareholding From 450001 To 455000	454,500
1	Shareholding From 465001 To 470000	466,500
4	Shareholding From 495001 To 500000	2,000,000
2	Shareholding From 525001 To 530000	1,056,500
1	Shareholding From 565001 To 570000	567,000
3	Shareholding From 595001 To 600000	1,800,000
1	Shareholding From 600001 To 605000	605,000
1	Shareholding From 620001 To 625000	623,000
1	Shareholding From 625001 To 630000	625,500
1	Shareholding From 655001 To 660000	657,772
2	Shareholding From 695001 To 700000	1,400,000
1	Shareholding From 700001 To 705000	700,500
1	Shareholding From 745001 To 750000	748,731
1	Shareholding From 750001 To 755000	754,500
1	Shareholding From 770001 To 775000	775,000
2	Shareholding From 795001 To 800000	1,600,000
1	Shareholding From 805001 To 810000	809,500
1	Shareholding From 855001 To 860000	858,779
1	Shareholding From 915001 To 920000	919,000
4	Shareholding From 995001 To 1000000	4,000,000
1	Shareholding From 1035001 To 1040000	1,035,301
1	Shareholding From 1095001 To 1100000	1,096,000
1	Shareholding From 1100001 To 1105000	1,105,000
1	Shareholding From 1105001 To 1110000	1,108,079
1	Shareholding From 1125001 To 1130000	1,126,500
1	Shareholding From 1145001 To 1150000	1,150,000
1	Shareholding From 1155001 To 1160000	1,156,391
1	Shareholding From 1295001 To 1300000	1,300,000
1	Shareholding From 1345001 To 1350000	1,350,000
1	Shareholding From 1380001 To 1385000	1,385,000
1	Shareholding From 1445001 To 1450000	1,447,500
1	Shareholding From 1490001 To 1495000	1,492,500
1	Shareholding From 1540001 To 1545000	1,545,000
1	Shareholding From 1585001 To 1590000	1,588,541
1	Shareholding From 1600001 To 1605000	1,601,500
1	Shareholding From 1745001 To 1750000	1,750,000
1	Shareholding From 1795001 To 1800000	1,800,000
1	Shareholding From 1805001 To 1810000	1,809,214
1	Shareholding From 1870001 To 1875000	1,872,400
2	Shareholding From 2055001 To 2060000	4,115,500
2	Shareholding From 2075001 To 2080000	4,152,822
1	Shareholding From 2110001 To 2115000	2,111,748
1	Shareholding From 2625001 To 2630000	2,628,500
1	Shareholding From 2995001 To 3000000	3,000,000
1	Shareholding From 3070001 To 3075000	3,075,000
1	Shareholding From 4045001 To 4050000	4,050,000
1	Shareholding From 4245001 To 4250000	4,250,000
1	Shareholding From 13285001 To 13290000	13,288,204
1	Shareholding From 15495001 To 15500000	15,496,904
1	Shareholding From 19995001 To 20000000	20,000,000
1	Shareholding From 23125001 To 23130000	23,125,694
1	Shareholding From 23535001 To 23540000	23,539,977
1	Shareholding From 27375001 To 27380000	27,380,000
1	Shareholding From 30920001 To 30925000	30,923,161
1	Shareholding From 755245001 To 755250000	755,245,007
7,115		1,072,464,262

Pattern of Shareholding

Categories of Shareholders	Shares Held	Percentage %
BANKS DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS	17,618,255	1.64
INSURANCE COMPANIES	23,283,194	2.17
DIRECTORS, CHIEF EXECUTIVE OFFICER, AND THEIR SPOUSE AND MINOR CHILDREN		
MR. JAHANGIR SIDDIQUI	1,588,542	
MR. MAZHAR-UL-HAQ SIDDIQUI	1,000,001	
MR. ADIL MATCHESWALA	200,000	
MR. KALIM UR REHMAN	1	
MR. ASHRAF NAWABI	1	
MR. SHAHAB ANWAR KHAWAJA	1	
MRS. AKHTER JABEEN	218,700	
Sub-Totals :	3,007,246	0.28
ASSOCIATED COMPANIES, UNDERTAKING AND RELATED PARTIES.		
JAHANGIR SIDDIQUI & CO. LIMITED	755,245,007	70.42
MODARABAS AND MUTUAL FUNDS.	394,232	0.04
NIT AND ICP		
INVESTMENT CORP. OF PAKISTAN	972	
NATIONAL BANK OF PAKISTAN-TRUSTEE DEPART	30,923,161	
Sub-Totals :	30,924,133	2.88
FOREIGN INVESTORS	50,672,245	4.72
OTHERS	47,418,583	4.42
Local - Individuals	143,901,367	13.42
Total :	1,072,464,262	100.00

Details of the transactions carried out by the Directors, Chief Executive Officer , Chief Financial Officer, Company Secretary and their spouse and minor children during the period from January 01, 2013 to December 31, 2013.

None of the Director, Chief Executive Officer, Chief Financial Officer, Company Secretary and their spouse and minor children during the period from January 01, 2013 to December 31, 2013 carried out transactions in the shares of the Bank: except Mr. Adil Matcheswala who purchased 50,000 shares of the Bank.

Form of Proxy

8th 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 8th Annual General Meeting of the Bank to be held on March 29, 2014 and / or any adjournment thereof. As witness my / our hand / seal this _____ day of _____ 2014 signed by _____ in the presence of (name & address)

Witness:

1. Name : _____
Address : _____
CNIC or : _____
Passport No. : _____
Signature : _____

2. Name : _____
Address : _____
CNIC or : _____
Passport No. : _____
Signature : _____

Signature on Rs. 5/-
Revenue Stamp

The signature should
agree with the
specimen registered
with the Bank

Important:

1. A member of the Bank entitled to attend and vote may appoint another member as his / her proxy to attend and vote instead of him / her.
2. The proxy form, duly completed and signed, must be received at the Office of the Bank situated at Shaheen Commercial Complex Dr. Ziauddin Ahmed Road, Karachi 74200 not less than 48 hours before the time of holding the meeting.
3. No person shall act as proxy unless he / she himself is a member of the Bank, except that a corporation may appoint a person who is not a member.
4. If a member appoints more than one proxy and / or more than one instruments of proxy are deposited by a member with the Bank, all such instruments of proxy shall be rendered invalid.
5. Beneficial Owner of the physical shares and the shares registered in the name of Central 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).

Please affix
correct
postage

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



211 Branches in 112 Cities

Head Office, 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
www.jsbl.com