JS BANK

Annual Report 2011

Cherishing five **years of excellence**

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Form of Proxy

Mission

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

Vision

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

CORPORATE SOCIAL RESPONSIBILITY

JS Bank conducts its Corporate Social Responsibility through the Mahvash and Jahangir Siddiqui Foundation and this collaboration has led them to collectively be a strong advocate of various philanthropic activities, including extensive relief efforts in the 2005 earthquake, 2008 IDP crisis and the 2010-11 floods.

Mahvash & Jahangir Siddiqui Foundation:

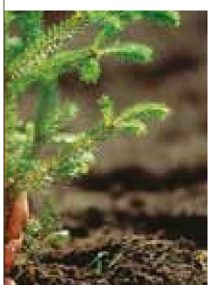
The Mahvash and Jahangir Siddiqui Foundation was established in 2003 under Section 42 of the Companies Ordinance, 1984 by the JS Group as a charitable, not-for-profit organization, to formalize various initiatives on multiple social fronts. It aims to promote and impact healthcare, education and social enterprise through sustainable development across Pakistan with a special focus on women, minorities, children and disabled individuals. The Foundation is certified by the Pakistan Center for Philanthropy and avails tax-exempt status in Pakistan.

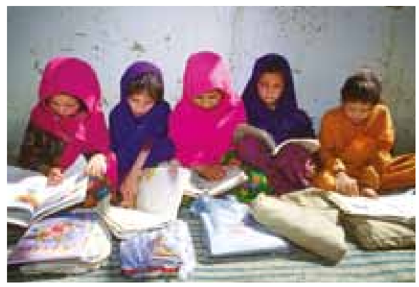
The Foundation has long-term commitments in following areas:

Healthcare: The Foundation is a strong advocate of promoting healthcare services and has been involved in providing health related services since many years. From organizing eye/skin camps in the remote areas of Sindh to providing sophisticated equipment to various health facilities, the Foundation actively donates to a number of hospitals as an annual commitment. Zakat funds are also utilized for the most underprivileged patients at these hospitals who cannot afford basic healthcare. The Foundation supports numerous projects and organizations in health care, including; Sindh Institute of Urology and Transplantation (SIUT), Karachi National Hospital, The National Institute of Cardiovascular Diseases (Emergency Ward) and other notable social enterprises.

Education: The Foundation extends donations to prominent institutions like the Lahore University of Management Sciences (LUMS) and Institute of Business Administration, Karachi (IBA), Karachi Education Initiative (KEI) for Karachi School for Business and Leadership. It also supports unique organizations for children with disabilities like the JS Academy for the Deaf. It has also established and is operating various schools in rural areas of Sindh and vocational training institutes through its partners Fakhr-e-Imdad Foundation and Karigar Training Institute. The Foundation also runs scholarship programs for individuals and annually sponsors a group summer program at the National University of Singapore with its partner Sajjad Foundation.

Social Enterprises and Sustainable Development: Realizing the importance of promoting social enterprises, the Foundation has ventured into many partnerships with enterprises such as Acumen Fund and Kashf Holdings. The goal is to promote economic development and to enhance the dignity and quality of life of individuals, families and communities by eliminating barriers to opportunity and helping people in need reach their fullest potential. In collaboration with Acumen Fund, we are also in the process of rolling out a Regional Pakistan Fellows program to support the development of future leaders and role models for Pakistan.





Emergency Relief: The Foundation also mobilizes major relief efforts in Pakistan in times of national emergencies. In the past, the Foundation has mobilized at the time of the 2005 earthquake, the 2008 Internally Displaced Persons Crisis and the super floods of 2010 and 2011 in close collaboration with almost all United Nations' clusters operating in Pakistan, along with organizations like IOM, Oxfam, World Food Program and the Provincial Disaster Management Authority. Foundation is also setting up a rehabilitation program for the flood affectees.

Poised to Grow

COMPANY INFORMATION

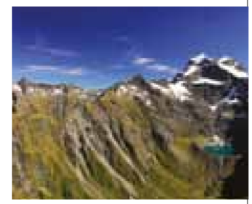
Board of Directors	Chairman	Mr. Jahangir Siddiqui
		Mr. Mazharul Haq Siddiqui
	Independent Director	Mr. Maqbool A. Soomro
	Independent Director	Mr. Ashraf Nawabi
		Mr. Rafique R. Bhimjee
	Independent Director	Mr. Shahab Anwar Khawaja
		Mr. Adil Matcheswala*
President & Chief Executive Officer		Mr. Kalim-ur-Rahman
Audit Committee	Chairman	Mr. Jahangir Siddiqui
	Member	Mr. Maqbool A.Soomro
	Member	Mr. Rafique R. Bhimjee
Human Resource Committee	Chairman	Mr. Jahangir Siddiqui
	Member	Mr. Mazharul Haq Siddiqui
	Member	Mr. Rafique R. Bhimjee
	Member	Mr. Kalim-ur-Rahman
Risk Management Committee	Chairman	Mr. Jahangir Siddiqui
	Member	Mr. Maqbool A.Soomro
	Member	Mr. Ashraf Nawabi
	Member	Mr. Kalim-ur-Rahman
Company Secretary		Mr. Muhammad Yousuf Amanullah
Auditors		M. Yousuf Adil Saleem & Co Chartered Accountants (Member firm of Deloitte Touche Tohmatsu)
Legal Advisors		Bawaney & Partners Liaquat Merchant Associates
Share Registrar		Technology Trade (Pvt.) Limited 241-C, Block - 2, P.E.C.H.S, Karachi
Registered Office		JS Bank Limited Shaheen Commercial Complex Dr. Ziauddin Ahmed Road P.O. Box 4847 Karachi - 4200,Pakistan.

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

Committed to Serve





JS BANK LIMITED
NOTICE OF SIXTH ANNUAL GENERAL MEETING

Notice is hereby given that the sixth Annual General Meeting of the Shareholders of JS Bank Limited (the "Bank") will be held on Thursday, 29th March, 2012 at 09:30 am at Beach Luxury Hotel, Karachi to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the Extraordinary General Meeting held on June 15, 2011.

2. To receive, consider and adopt the Audited Financial Statements of the Bank for the year ended December 31, 2011 together with the Directors' and the Auditors' Reports thereon.

3. To appoint the Auditors for the year ending December 31, 2012 and to fix their remuneration.

SPECIAL BUSINESS

1. To consider and if thought fit to increase the authorized share capital of the Bank from Rs. 12,000,000,000 to Rs. 15,000,000,000 by creation of 300,000,000 ordinary shares of Rs. 10 each and to alter Clause V of the Memorandum of Association of the Bank by passing resolution as a special resolution:

   'RESOLVED that the Authorized Share Capital of the Bank be increased from Rs. 12,000,000,000 divided into 1,200,000,000 shares of Rs. 10 each to Rs. 15,000,000,000 divided into 1,500,000,000 shares of Rs. 10 each and Clause V of the Memorandum of Association and Article 6 of the Articles of Association be amended by replacing the amount of authorized capital.

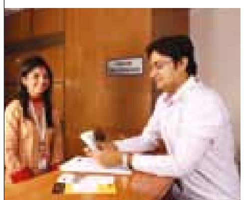
   RESOLVED FURTHER that the President & Chief Executive Officer and the Company Secretary be and are hereby jointly and severally authorized to fulfill all legal and corporate formalities for increasing the Authorized Capital of the Bank and effectuate this Resolution'.

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

A statement under Section 160(1)(b) of the Companies Ordinance, 1984 pertaining to the special business is being sent to the shareholders along with this Notice.

Karachi: March 01, 2012

By Order of the Board
Muhammad Yousuf Amanullah
Company Secretary

Notes:

(i) Share transfer books of the Bank will remain closed from March 22, 2012 to March 28, 2012 (both days inclusive).

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

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

(iv) Members who have registered their shares in the of Central Depository Company of Pakistan (CDC) and/or their proxies are required to produce their original Computerized National Identity Card (CNIC) or passport for identification purpose at the time of attending the meeting. The form of the proxy must be submitted with the Bank within the stipulated time, duly witnessed by two persons whose names, addresses and CNIC numbers must be mentioned on the form, along with attested copies of the CNIC or the passport of the beneficial owner and the proxy. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with the proxy form of the Bank.

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

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

This statement sets out the material facts concerning the special business to be transacted at the Annual General Meeting of the Bank to be held on March 29, 2012 pertaining to increase in authorized share capital of the Bank.

Increase in Authorized Share Capital

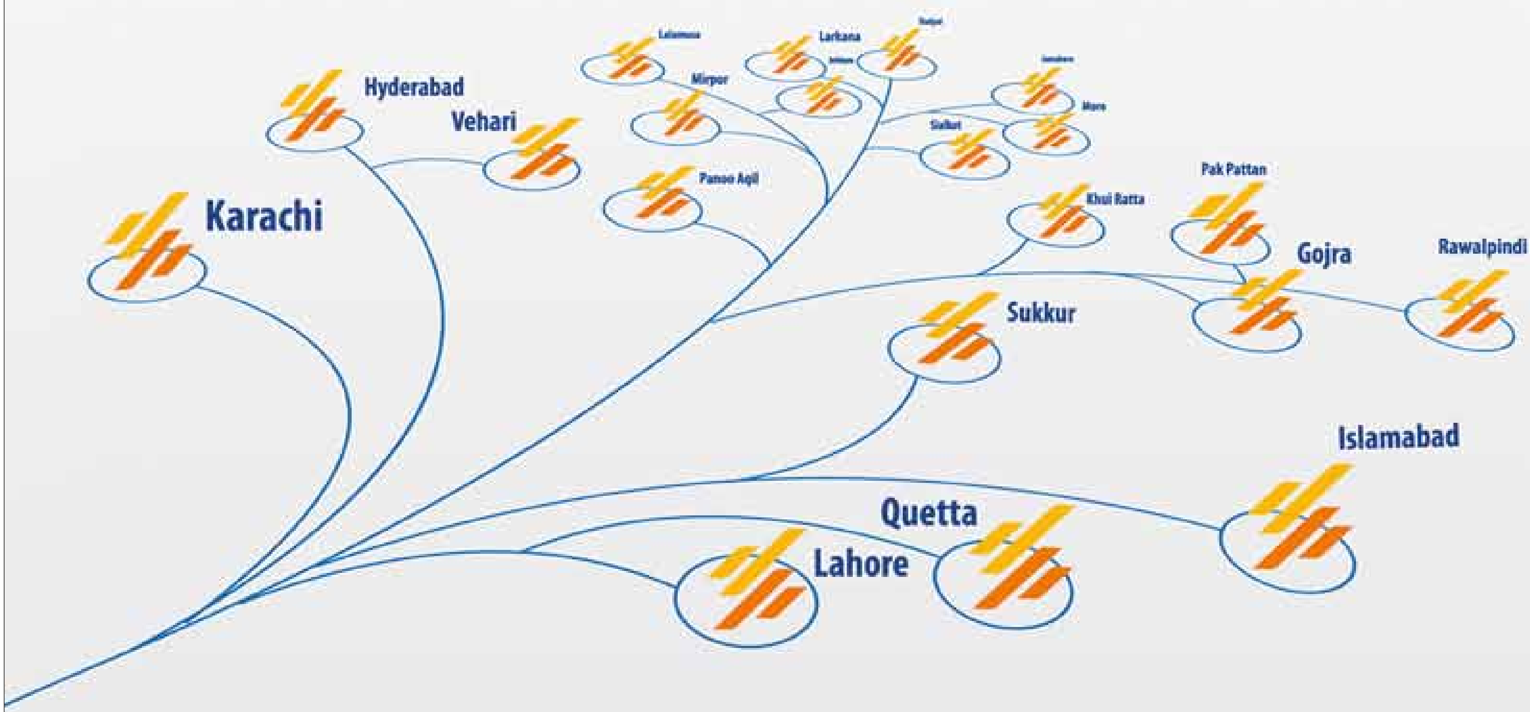
At present the authorized share capital of the Bank is Rs. 12,000,000,000 divided into 1,200,000,000 ordinary shares of Rs. 10/- each and the paid up share capital (net of losses & discount) is Rs. 7.505 billion. The State Bank of Pakistan has prescribed that the minimum paid up capital (net of losses) for commercial Banks / Development Finance Institutions (DFIs) be raised to Rs.10 billion by the year ending December 31, 2013. The raise is to be achieved in a phased manner requiring Rs.9 billion paid-up capital (free of losses) by the end of the financial year 2012 and Rs. 10 billion by 2013. In order to meet the requirements of State Bank of Pakistan and for future capital requirements, the Board of Directors of the Bank has recommended increase in the authorized share capital of the Bank from Rs. 12,000,000,000 to Rs. 15,000,000,000 by creation of 300,000,000 ordinary shares of Rs. 10 each. The Board of Directors have also recommended to alter the Capital Clause V of Memorandum of Association and Article Clause 6 of the Articles of Association to reflect the proposed increase in authorized share capital of the Bank.

The new shares when issued shall rank pari passue with the existing shares in all respects.

No Director or Chief Executive Officer of the Bank or their relatives has any interest in the proposed amendment, except in their capacities as Director / CEO / shareholders.

Our Growing Family

Stemming out in 79 Cities Nationwide
147 Branches and Growing.



JS Bank is one of the fastest growing banks in Pakistan. With a vast and growing online network of 147 branches in 79 cities in all provinces; we are present wherever our customers need us to be. From the biggest cities to the smallest towns, we consistently offer outstanding services along with a host of innovative and growth-oriented products.

JS BANK

Devoted **to Progress**

We are pleased to present the Sixth Annual Report of JS Bank Limited ("JSBL") along with the audited accounts and Auditors' report thereon for the year ended December 31, 2011.

Economic Review

2011 did not prove to be any different from last year, as the country was hit once again by massive floods across the Sindh province. Although the flood this year was not on the same scale as the 2010 flood, it affected 7 million people and left 27% of the total crop area in the province either damaged or destroyed. Furthermore, the energy crisis continues to be a structural impediment to growth.

On a positive note, headline inflation during 2H2011 came in at 10.87%YoY as against 14.32%YoY in the corresponding period last year. Keeping this in view, the State Bank of Pakistan cut the discount rate by 200bps during the year. However, fiscal weaknesses and falling foreign inflows, and the energy crisis remain as risks to the economy.

Home remittances reached a record level of US$11.2 billion in FY11 (up 26%YoY) and have continued to remain robust during 2H2011 amounting to US$6.3 billion (up 20%YoY). On the other hand, trade deficit swelled to US$11.5 billion, up by 38%, in 2H2011 with total exports up by 4%YoY to US$11.2 billion and imports jumped by 19%YoY to US$22.7 billion. As a result, current account deficit grew to US$2.1 billion in 5MFY12.

Banking Industry Review

Banks recorded an improvement in liquidity as investments in Treasury Bills (T-Bills) and Pakistan Investment Bonds (PIBs) grew by a massive 41% during the year to reach Rs. 2.9 trillion. This was partly due to the Government converting a significant portion of the power sector debt. Aggregate deposits during 2011 grew by an impressive 15%. Private sector credit off-take on the other hand, remained subdued and was recorded at a flat Rs. 3.5 trillion.

Financial Performance

Your bank posted a Pre-tax Profit of Rs. 535.75 million during 2011 as compared to a loss of Rs. 622.55 million in the previous year, registering a healthy YoY improvement of 186%. The Profit after tax came in at Rs. 359.69 million compared to a loss of Rs. 407.48 million in 2010. Resultantly, the Earnings Per Share (EPS) of your bank was Re. 0.42 for 2011 as compared to a loss of Re. 0.66 per share during 2010. The profitability ratios measured in terms of Return on Assets and Return on Equity also improved to 0.77% and 5.40%, respectively, for 2011.

The Balance Sheet size of your bank registered a YoY growth of 37% to reach Rs. 53,920 million as at December 31, 2011. Deposits increased to Rs. 41,487 million as at December 31, 2011 compared to Rs. 26,276 million in the previous year, a YoY growth of 58%. While gross advances grew to Rs. 18,533 million as at December 31, 2011, a YoY rise of 28%, investment in T-Bills and PIBs grew by 57% to touch Rs. 17,034 million at year end 2011. Net Mark-up/Interest Income of your bank increased by 107% to reach Rs. 1,880 million led by a growth in earning assets as well as low-cost deposits. Meanwhile, the contribution of Non-Markup/Interest Income touched Rs. 762 million as compared to Rs. 333 million in the previous year - an increase of 129%. Operating Expenses increased by 14% to Rs. 2,098 million.

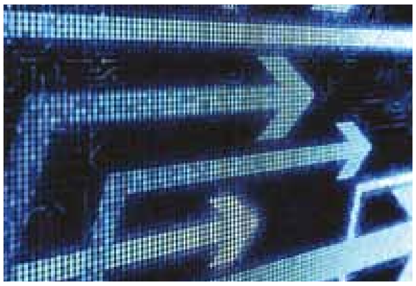
Business Overview

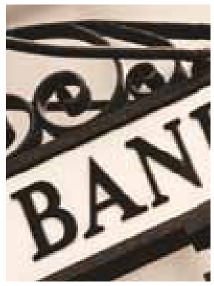
JS Bank continued to maintain its steady growth despite a challenging operating environment. The Bank moved ahead with its branch expansion and has established 21 new branches during the year bringing the aggregate total to 147 branches in 80 cities. This extensive network has been established within a short span of 5 years.

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

(Rs in '000)

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





Retail Banking Group (RBG)

Throughout the year, the Retail Banking Group stayed on course to focus on the deposit mobilization effort.

Considerable energy and resources were also spent on further augmenting our robust Alternative Delivery Channels (ADC) product delivery line. During 2011, 60 new ATM locations were added to the network thereby giving us a countrywide network of 115 ATMs, which reflects a growth of 109%. Furthermore, a host of new value added services were launched during the year including full-service Internet Banking, Electronic Statements, SMS Alerts on all transactions, Inter-Bank Funds Transfer (IBFT) and Utility Bills Payment Services (UBPS) via multiple channels including the Internet, ATMs and Call Center facilities.

A prominent launch at the Bank this year, was the first of our card products, that is the JS Bank Visa Debit Card. Designed as a two-tiered product for all JS Bank account holders, the JS Bank Visa Debit card launch was supported by a strong customer acquisition drive.

The overall growth in the core business was augmented by a substantial growth in the ancillary Non Funded Income (NFI). This was achieved through very significant increases in the Bancassurance, Home Remittance and Foreign Trade businesses in which major breakthroughs were recorded.

Considerable focus remained on further improving the level of service delivery at branch locations across Pakistan to ensure that the JS Bank customers received a standard of service well above the competition.

Corporate Banking Group (CBG)

During 2011, CBG followed a prudent strategy which focused on risk asset growth while ensuring a quality advances portfolio. In the process, advances grew by 28% to Rs. 16.9 billion during the year.

In order to diversify the revenue base, efforts were made to enhance the contribution of trade & other fee based income which resulted in a growth of 59% in the NFI to Rs. 84.6 million in 2011.

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

Treasury Group

The year 2011 has been a landmark year for the Treasury Group which excelled as a Primary Dealer on top of its strong performance in its core Asset & Liability Management and Foreign Exchange activities. JS Bank is part of 11 Primary Dealers which act as underwriters and market makers of Treasury Bills and Pakistan Investment Bonds.

Our focused efforts as a Primary Dealer over the last few years, during which period we were always among the top [redacted] PDs, were crowned during 2011 when the State Bank of Pakistan, through its DMMD Circular No. 9 of 2011, ranked the JS Bank as the No. 1 Primary Dealer of the country for FY 2010-2011.

Investment Banking Group (IBG)

JS Bank's IBG is the leading debt capital markets advisory business in the country. Following the vision of the State Bank of Pakistan to develop debt capital markets, IBG executed pioneering transactions in 2011 including Pakistan's maiden Commercial Paper issued by a bank, the first ever Over-the-Counter (OTC) listed Commercial Paper issued by a leading fertilizer company, and the successful financial closure of OTC listed Term Finance Certificates issued by the most successful leasing company in the country.

Home Remittances

During the year under review, your bank has been successful in establishing a leading position amongst home remittance service providers in Pakistan. This has been the result of a pro-active approach of building alliances with global money transfer leaders and many mid-sized currency exchange companies. JS Bank is now the seventh largest home remittance/PRI bank in the country by the number of such transactions processed.

Risk Management

Your bank has been proactive in adopting measures to manage, monitor and mitigate risks associated with banking activities, and has placed great emphasis on the development of an effective risk management framework which contributes towards efficient mobilization & allocation of the Bank's capital.

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

The Integrated Risk Management Committee (IRMC) and Assets & Liabilities Committee (ALCO) operate within the established framework in order to monitor the Bank's activities and maintain the risk level within predefined limits. These committees meet on a regular basis to review market developments and the level of financial risk exposure of the Bank.

A dedicated and independent Risk Management Group, staffed with professionals having diversified experience, is in place to manage all the aspects of Risk Management at the Bank.

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

In brief, the Bank has institutionalized Risk Management Guidelines prescribed by the SBP in all disciplines of Risk Management with regard to Credit, Market, Liquidity and Operational Risks.

Operations

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

Information Technology

The new initiatives in information technology have focused on enhancing the Bank's control over its operations, MIS, Risk Management and improve its customer services and product offerings. Our Core Banking System has been enhanced with Know Your Customer, Anti Money Laundering, Treasury Securities, Investor Portfolio Securities, Auto Finance and SWIFT Interface functions. The Bank invested in a new Data Center in 2011 which has state of the art infrastructure.

As part of JS Bank's commitment to customers and partners, the electronic retail channel suite saw rapid development in 2011. Services such as Internet Banking, VISA Debit Card, SMS Alerts, Utility Bills Payment System, Inter Bank Funds Transfer,e-Statements and Pakistan Remittance Initiative payments disbursement systems were all launched on schedule. The ATM network of the Bank has grown from 55 to 115 ATMs within one year.

Equity

Core equity of the Bank expanded to Rs. 7,505 million as at December 31, 2011, a healthy growth of 29% over the previous year, due to improved profitability and a share swap with Jahangir Siddiqui & Co. Ltd. (JSCL) and certain other shareholders for 51% shares of JS Global Capital Limited (JSGCL) – which has now become a subsidiary of your Bank and should lead to synergies of business for both entities.

Earnings Per Share (EPS)

After taking into account the additional shares issued during 2011, the EPS for the year ended December 31, 2011 worked out to Re. 0.42 per share against last year's loss of Re. 0.66 per share, i.e. an improvement of 164%.

Capital Adequacy

As of December 31, 2011, your bank's Capital Adequacy Ratio (CAR) stood at 16.13% as compared to last year's 17.64%, against minimum CAR of 10% prescribed by SBP.

Despite a substantial growth in its Assets as compared to the previous year, your bank has maintained a sound risk profile by carefully monitoring the quality of its increasing risk assets portfolio and balancing it against the increase in the Bank's capital during the year under review.

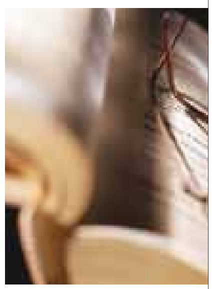
Statement on Internal Controls

The Board of Directors, as well as the Management of the Bank, are fully cognizant of the critical importance of the existence of an effective internal control environment so as to ensure that the envisioned goals and objectives of the organization are adequately fulfilled. In order to create the appropriate environment, the Board has laid down broad policies in the context of business strategies and regulatory requirements whereby the management is able to timely identify possible major risks and put in motion mitigating procedures. These policies are periodically reviewed and suitably updated by the Board in the light of economic and other related developments.

The Management, in line with the policy guidelines provided by the Board, has in place systems, procedures and internal control evaluation charts across all areas of the Bank. The organizational structure has been so established as to clearly define responsibility through effective delegation and separation of duties. Operational procedures are continually monitored and updated and any gaps identified in controls are appropriately plugged to ensure a competitive edge in customer service within the ambit of impeccable ethical and integrity standards. The Bank's Internal Audit function continues to monitor compliance with these policies and procedures and regularly communicates findings to the Board through the Audit Committee.

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



The Management is confident that the internal control environment as presently existing is fully geared to the achievement of both the short-term and the 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:

- The Financial statements prepared by the Management present fairly the state of affairs of the Bank, the results of its operations, Cash Flow Statement and Statement of Changes in Equity
- Proper books of accounts of the Bank have been maintained
- Accounting policies as stated in the notes to the accounts have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment

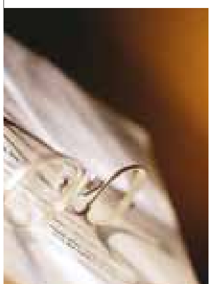
The Bank also sponsored a T-20 Cricket Tournament for women, the first of its kind in Pakistan, under the banner of "JS Bank T-20 Women's Tournament 2011", for the promotion of cricket among women and to encourage them to participate in sports. We are happy to report that it was very well received by the public.

Holding Company

Jahangir Siddiqui & Company Limited, listed at the Karachi Stock Exchange (Guarantee) Limited, is the holding company of JS Bank Limited, with 68.32% shareholding.

Subsidiary Company

JS Global Capital Limited is now a subsidiary of JS Bank. JS Global is listed on the Karachi Stock Exchange. The company was incorporated under the laws of Pakistan having a paid up capital of Rs. 500 million, and shareholder equity of Rs. 2.59 billion as on June 30, 2011. It is in the business of equity, fixed income, currencies and commodities brokerage and investment banking.



- International Accounting Standards as applicable in Pakistan have been followed in preparation of the financial statements
- The system of internal controls is sound in design and has been effectively implemented and monitored
- There are no doubts about the Bank's ability as a going concern
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations
- The details of outstanding statutory payments, if any, have been adequately disclosed in the financial statements

Corporate Social Responsibility

Your Bank understands and is proactive in fulfilling its Corporate Social Responsibility. In the aftermath of the floods of 2010, and again in 2011, JS Bank in collaboration with the Mahvash and Jahangir Siddiqui Foundation played a very active role in providing relief and rehabilitation to affectees by providing food, clean drinking water and medical services on a large scale. More information about the activities of the Mahvash and Jahangir Siddiqui Foundation can be found at www.mjsf.net

Attendance of Directors in the Board meetings

Six meetings of the Board of Directors were held during the Year 2011. 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	6
Mr. Maqbool A. Soomro	6	6
Mr. Ashraf Nawabi	6	5
Mr. Rafique R. Bhimjee	6	5
Mr. Shahab Anwar Khawaja	6	2
Mr. Basir Shamsie	6	6
Mr. Kalim-ur-Rahman, President & CEO	6	6

Pattern of Shareholding

The pattern of shareholding at the close of December 31, 2011 as required u/s 236 of the Companies Ordinance, 1984 is given on page number 161.

Credit Rating

A bank's credit rating reflects its ability to meet its obligations and is a measure of its soundness and strength.

JS Bank has been assigned a long term rating of 'A' and short term rating of 'A1' with stable outlook by the Pakistan Credit Rating Agency (Pvt) Limited. These ratings reflect the bank's strong liquidity and high capital adequacy.

Employee Benefits Scheme

The Bank operates a funded Provident Fund Scheme covering all its permanent employees. The un-audited balance of the fund as at December 31, 2011 was Rs. 180 million (December 31, 2010 was Rs. 116 million).

Auditors

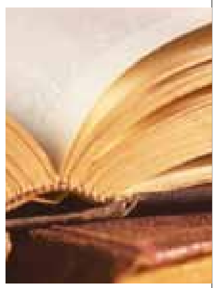
The present auditors of the Bank are M. Yousuf Adil Saleem & Co. Chartered Accountants, a member firm of Deloitte Touche Tohmatsu.

Events after the Date of Statement of Financial Position

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

Acknowledgements

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



Future Outlook

Pakistan's banking sector outlook remains unchanged due to the weaknesses in the economy and the likelihood that banks will inevitably increase their already high exposure to the Government in view of its growing funding requirements. Credit and business conditions will likely remain fragile due to the shortage of energy which is adversely affecting all types of industry.

The reduction of 200 bps in the Discount Rate during the 2nd half of 2011 is likely to squeeze margins and increase competition for both deposits and advances.

Despite these adverse factors, we are confident that we will be able to improve the size, quality and yield of our loan book through prudent risk management practices. We will also continue to expand our low-cost deposit base to ensure profitability and adequate liquidity at all times.

Most importantly we will continue to focus on delivering high-quality services and strong value to our customers.

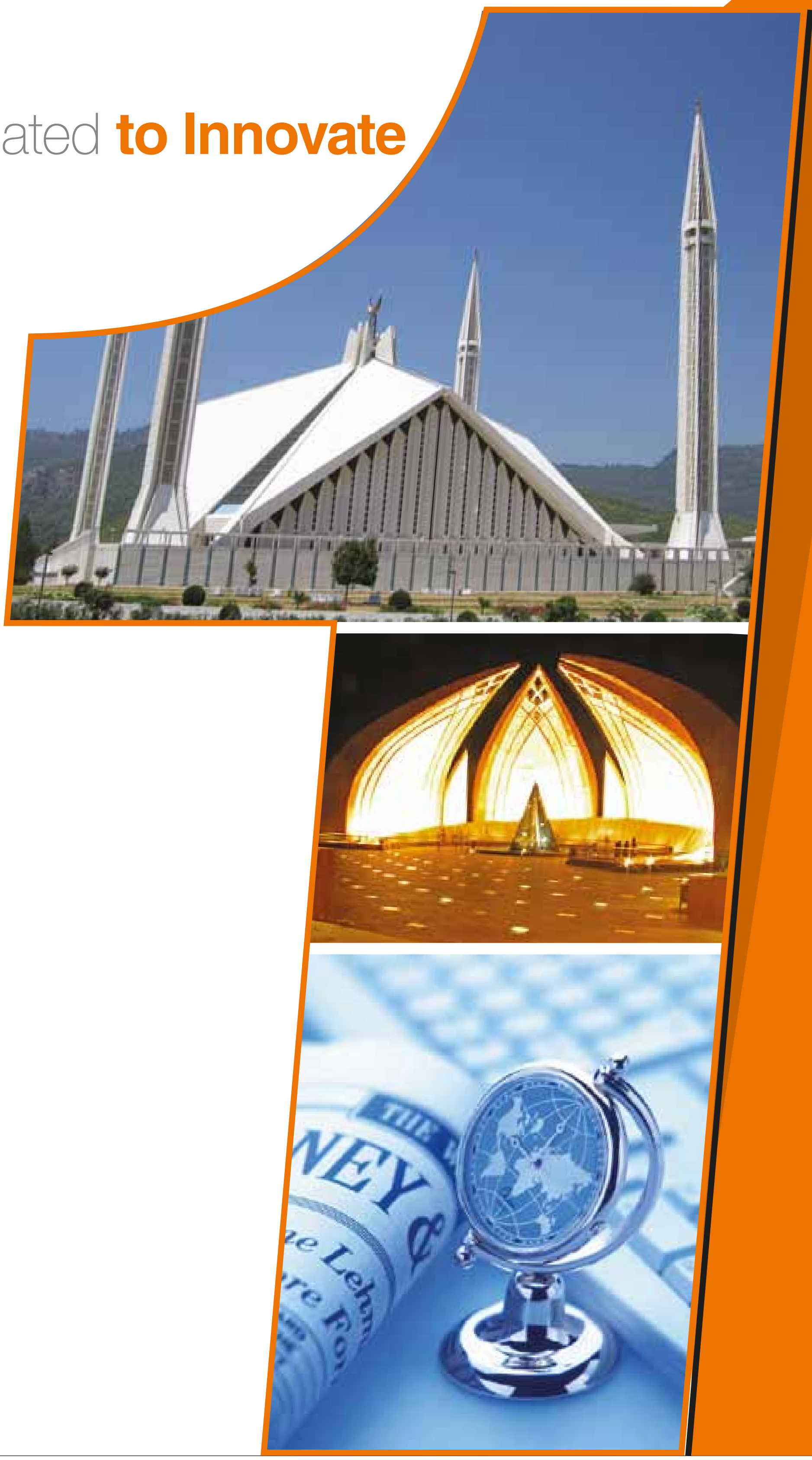
For and on behalf of the Board,

Jahangir Siddiqui
Chairman

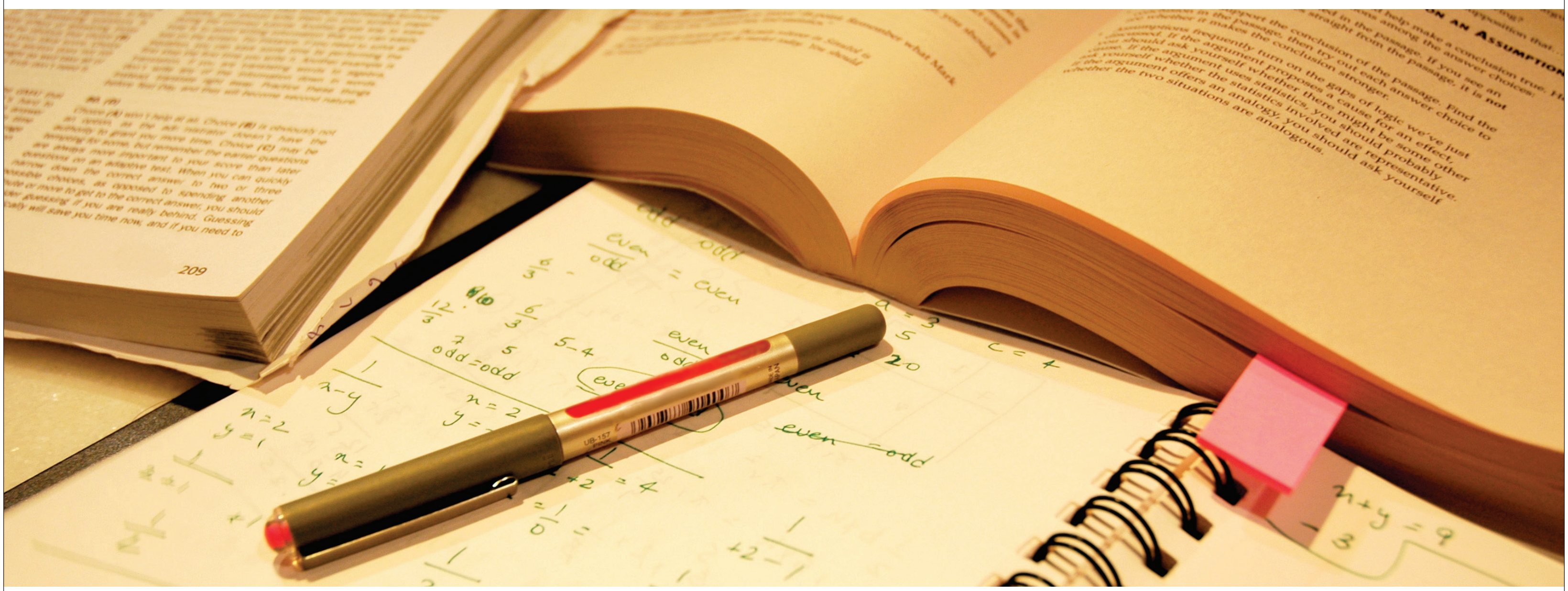
February 27, 2012

FINANCIAL STATEMENTS

Dedicated **to Innovate**



STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CORPORATE GOVERNANCE PERIOD ENDED DECEMBER 31, 2011



This statement is being presented to comply with the Code of Corporate Governance contained in the Regulation No. 35 of Chapter XI of Listing Regulations of Karachi Stock Exchange (Guarantee) Limited as required under Prudential Regulation No. G-1 - Responsibilities of the Board of Directors, vide BSD Circular No.15 dated June 13, 2002 for the purposes of establishing a framework of good governance, whereby a Bank is managed in compliance with the best practices of Corporate Governance. The Bank has applied the principles contained in the Code in the following manner:

1. The Bank encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes seven non-executive directors including three independent directors. There are no directors representing minority shareholders.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies including the Bank.
3. All the resident directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution (DFI) or a Non Banking Finance Company (NBFC) or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred on the Board during the year ended December 31, 2011.
5. The Bank has prepared a Statement of Ethics and Business practices, which has been signed by all the Directors annually and by employees on joining the Bank.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amendment has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO) and the Executive Director have been taken by the Board.
8. All the meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board members have been provided with relevant literature to apprise them of their duties and responsibilities.
10. The Board has approved appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The Financial Statements of the Bank were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.
14. The Bank has complied with all the Corporate and Financial Reporting requirements of the Code. In accordance with the requirement of clause (xiii a) of the listing regulations, all related party transactions have been reviewed and approved by the Board of Directors.
15. The Bank has complied with all the corporate and financial reporting requirements of the Code as applicable during the period.
16. The Board has formed an audit committee. It comprises three members, of whom all are non-executive directors.
17. The meetings of the Audit Committee were held once every quarter prior to the approval of interim and final results of the Bank as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
18. The Board has set up an effective internal audit function consisting of a full time internal auditor who is suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Bank.
19. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
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. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

Kalim-ur-Rahman
President &
Chief Executive Officer

Karachi: February 27, 2012

Deloitte.

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

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

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

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of JS Bank Limited (the Bank) to comply with the Regulation G-1 of the Prudential Regulations for the Corporate / Commercial Banking issued by the State Bank of Pakistan and Listing Regulation No. 35 of the Karachi Stock Exchange (Guarantee) 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 are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Bank's corporate governance procedures and risks.

Further, Sub-Regulation (xiii a) of Listing Regulation No. 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular number KSE/N-269 dated 19 January 2009 Listing Regulations of Karachi Stock Exchange require 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 procedure to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement 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, 2011.

The Statement of the Bank for the year ended December 31, 2010 was reviewed by another firm of chartered accountants who through their report dated March 5, 2011 expressed an unmodified conclusion thereon.

M. Yousuf Adil Saleem & Co
Chartered Accountants

Engagement Partner:
Nadeem Yousuf Adil

Karachi
Dated: February 27, 2012

Unconsolidated Financial Statements

Deloitte.

M. Yousuf Adil Saleem & Co
Chartered Accountants
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KCHSU, Sharea Faisal,
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Independent Auditors' Report to the Members

We have audited the annexed unconsolidated statement of financial position of **JS Bank Limited** (the Bank) as at December 31, 2011 and the unconsolidated related profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'the financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for 4 branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

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

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

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

(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, 2011, and its true balance of profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and

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

We draw attention to the following matters:

1.) Note 1.3 to the accompanying financial statements wherein management has explained the plans of the Bank to meet the minimum capital requirements as prescribed by the State Bank of Pakistan as the Bank does not meet the minimum capital requirements currently.; and

2.) Notes 12.3.3 and 13.2 to the accompanying financial statements relating to goodwill and deferred tax asset respectively wherein management has described the assumptions which it has used in determining the value in use of cash generating unit to which the goodwill was allocated for impairment testing and determining recoverability of deferred tax assets respectively. There is an inherent uncertainty in the assumptions which depend on future events.

In respect of the matters described in paragraphs (1) and (2), our opinion is not qualified.

The financial statements of the Bank for the year ended December 31, 2010 were audited by another firm of chartered accountants who through their report dated March 5, 2011 expressed an unqualified opinion thereon. However, the report contained the emphasis of matter paragraph regarding minimum capital requirements as prescribed by the SBP which were not met and also included the emphasis of paragraph regarding impact, if any, on carrying amounts of the goodwill and the deferred tax assets due to uncertainty involved in the assumptions which were used in preparing financial projections for assessment of the impairment of the goodwill and the recoverability of the deferred tax assets. Since both matters are relevant to the current year also, we have reported them in paragraphs (1) and (2) above.

M. Yousuf Adil Saleem & Co
Chartered accountants

Engagement Partner:
Nadeem Yousuf Adil

Karachi.
Date: February 27, 2012

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2011

	Note	2011	2010
		----Rupees in '000----	
ASSETS			
Cash and balances with treasury banks	7	**3,880,688**	2,533,509
Balances with other banks	8	**136,880**	683,099
Lendings to financial institutions	9	**4,073,103**	3,643,360
Investments - net	10	**22,649,824**	13,701,699
Advances - net	11	**18,018,778**	13,978,113
Operating fixed assets	12	**3,021,439**	2,882,941
Deferred tax assets - net	13	**1,082,466**	1,184,613
Other assets	14	**1,057,391**	776,313
		53,920,569	39,383,647
LIABILITIES			
Bills payable	15	**1,246,994**	369,620
Borrowings	16	**2,944,495**	5,524,410
Deposits and other accounts	17	**41,487,031**	26,276,328
Sub-ordinated loans		**-**	-
Liabilities against assets subject to finance lease		**-**	-
Deferred tax liabilities		**-**	-
Other liabilities	18	**765,019**	1,375,003
		46,443,539	33,545,361
NET ASSETS		**7,477,030**	5,838,286
REPRESENTED BY			
Share capital	19	**10,002,930**	8,149,715
Reserves		**89,978**	18,040
Discount on issue of right shares		**(1,944,880)**	(1,415,477)
Accumulated losses		**(642,918)**	(930,671)
		7,505,110	5,821,607
(Deficit) / surplus on revaluation of assets - net of tax	20	**(28,080)**	16,679
		7,477,030	5,838,286
CONTINGENCIES AND COMMITMENTS	21		

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

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

UNCONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2011

	Note	2011	2010
		----Rupees in '000----	
Mark-up / return / interest earned	23	**4,312,207**	3,299,767
Mark-up / return / interest expensed	24	**2,583,525**	2,255,014
Net Mark-up / Interest income		**1,728,682**	1,044,753
(Reversal) of / provision against non-performing advances - net	11.4	**(13,675)**	50,194
(Reversal) of provision for diminution in the value of investments	10.3	**(137,524)**	86,290
Bad debts written off directly		**-**	-
		(151,199)	136,484
Net mark-up / interest income after provisions		**1,879,881**	908,269
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income	25	**351,183**	196,215
Dividend income		**20,433**	22,483
Income from dealing in foreign currencies		**98,519**	60,667
Gain on sale of securities - net	26	**245,775**	48,838
Unrealised (loss) / gain on revaluation of investments classified as held-for-trading	10.4	**(3,010)**	840
Share of profit from associate - net of tax	10.2.12	**34,118**	-
Other income		**15,050**	3,931
Total non mark-up / interest income		**762,068**	332,974
		2,641,949	1,241,243
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	27	**2,098,357**	1,846,840
Other provisions / write offs		**-**	-
Fixed assets written off		**-**	16,267
Other charges	28	**7,840**	686
Total non-mark-up / interest expenses		**2,106,197**	1,863,793
		535,752	(622,550)
Extra ordinary / unusual items		**-**	-
PROFIT / (LOSS) BEFORE TAXATION		**535,752**	(622,550)
Taxation - Current	29	**(49,813)**	(36,327)
- Prior years		**-**	-
- Deferred		**(126,248)**	251,398
		(176,061)	215,071
PROFIT / (LOSS) AFTER TAXATION		**359,691**	(407,479)
Earnings / (loss) per share - basic and diluted	30	**0.42**	(0.66)

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

Jahangir Siddiqui	**Kalim-ur-Rahman**	**Rafique R. Bhimjee**	**Mazharul Haq Siddiqui**
Chairman	**President/Chief Executive Officer**	**Director**	**Director**

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2011

	2011	2010
	----Rupees in '000----	
Profit / (loss) after tax for the year	**359,691**	(407,479)
Other comprehensive income	**-**	-
Total comprehensive income / (loss) for the year	**359,691**	(407,479)

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

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

Jahangir Siddiqui **Chairman**	**Kalim-ur-Rahman** **President/Chief Executive Officer**	**Rafique R. Bhimjee** **Director**	**Mazharul Haq Siddiqui** **Director**

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2011

	issued subscribed and paid-up share capital	Statutory reserve	Discount on issue of shares	Accumulated losses	Total
	-----------------------------------	-----------------	Rupees in '000	-----------------	-----------------------------------
Balance as at January 01, 2010	6,127,605	18,040	-	(523,192)	5,622,453
Total comprehensive (loss) for the year					
(Loss) after taxation for the year ended December 31, 2010	-	-	-	(407,479)	(407,479)
Other comprehensive loss	-	-	-	-	-
Total comprehensive loss for the year ended December 31, 2010	-	-	-	(407,479)	(407,479)
Transaction with owners recorded directly in equity					
Issue of right shares during the year	2,022,110	-	-	-	2,022,110
Discount on issue of right shares	-	-	(1,415,477)	-	(1,415,477)
	2,022,110	-	(1,415,477)	-	606,633
Balance as at December 31, 2010	8,149,715	18,040	(1,415,477)	(930,671)	5,821,607
Total comprehensive income for the year					
Profit after taxation for the year ended December 31, 2011	-	-	-	359,691	359,691
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year ended December 31, 2011	-	-	-	359,691	359,691
Transaction with owners recorded directly in equity					
Issue of shares during the year	1,853,215	-	-	-	1,853,215
Discount on issue of shares	-	-	(529,403)	-	(529,403)
	1,853,215	-	(529,403)	-	1,323,812
Transfers					
Transfer to statutory reserve	-	71,938	-	(71,938)	-
Balance as at December 31, 2011	**10,002,930**	**89,978**	**(1,944,880)**	**(642,918)**	**7,505,110**

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

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

UNCONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2011

	Note	2011	2010
		----Rupees in '000----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (loss) before taxation		**535,752**	(622,550)
Less: Dividend income		**(20,433)**	(22,483)
		515,319	(645,033)
Adjustments:			
Depreciation	12.2	**226,386**	223,178
Amortisation of intangible assets	12.3	**17,436**	15,479
Charge for defined benefit plan	33	**17,336**	21,721
Fixed assets written off		**-**	16,267
(Reversal) of / provision against non-performing advances - net	11.4	**(13,675)**	50,194
Unrealised (loss) / gain on revaluation of investments classified as held-for-trading	10.4	**3,010**	(840)
(Reversal) of provision for diminution in the value of investments	10.3	**(137,524)**	86,290
Share of profit from associate - net of tax	10.2.12	**(34,118)**	-
Other income		**(15,050)**	(3,931)
		63,801	408,358
		579,120	(236,675)
(Increase) / decrease in operating assets			
Lendings to financial institutions		**(429,743)**	(413,521)
Held for trading securities		**(4,693,469)**	(1,367,623)
Advances - net		**(4,026,990)**	(2,338,654)
Other assets (excluding advance taxation)		**(285,830)**	(160,105)
		(9,436,032)	(4,279,903)
Increase / (decrease) in operating liabilities			
Bills payable		**877,374**	49,128
Borrowings		**(2,577,302)**	493,577
Deposits		**15,210,703**	4,962,537
Other liabilities		**(627,320)**	786,839
		12,883,455	6,292,081
		3,447,423	2,012,178
Income tax paid		**(45,061)**	(14,883)
Net cash flows from operating activities		**3,981,482**	1,760,620
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investment in available-for-sale securities		**(2,831,072)**	(2,907,706)
Dividend received		**20,433**	22,483
Payments for operating fixed assets		**(391,474)**	(114,370)
Proceeds on sale property and equipment disposed-off		**24,204**	19,765
Net cash used in investing activities		**(3,177,909)**	(2,979,828)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of share capital		**-**	606,633
Net cash from financing activities		**-**	606,633
Increase / (decrease) in cash and cash equivalents		**803,573**	(612,575)
Cash and cash equivalents at beginning of the year		**3,212,435**	3,825,010
Cash and cash equivalents at end of the year	31	**4,016,008**	3,212,435

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

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

1. STATUS AND NATURE OF BUSINESS

1.1 JS Bank Limited (the Bank), incorporated in Pakistan, is a scheduled bank, engaged in commercial banking and related services. The Bank is listed on Karachi Stock Exchange in Pakistan. The Bank is a subsidiary of Jahangir Siddiqui & Company Limited (JSCL). The registered office of the Bank is situated at Shaheen Commercial Complex, Dr. Ziauddin Ahmed Road, Karachi. The Bank operates with 147 (2010: 126) branches / sub-branches in Pakistan. The Pakistan Credit Rating Agency (Private) Limited (PACRA) has assigned the long term credit rating of the Bank as A ("Single A") and the short term rating as A1 ("A One") with stable outlook.

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

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

1.3 The State Bank of Pakistan through its BSD Circular No. 7 dated April 15, 2009 has prescribed that the minimum paid up capital (net of losses) for Banks / Development Finance Institutions (DFIs) be raised to Rs.10 billion by the year ending December 31, 2013. The raise is to be achieved in a phased manner requiring Rs.8 billion paid-up capital (free of losses) by the end of the financial year 2011. To meet the shortfall in the Minimum Capital Requirement (MCR) of the State Bank of Pakistan (SBP), the Bank acquired 25,525,169 shares of JS Global Capital Limited from Jahangir Siddiqui & Co. Limited and other shareholders of JS Global in exchange of issuance of 185,321,537 new shares of the Bank. As a result of this transaction the equity of the Bank has increased by Rs. 1.323 billion. The paid-up capital (free of losses) of the Bank as at December 31, 2011 stood at Rs.7.415 billion.

To meet the remaining shortfall in MCR, the Bank has submitted a plan to SBP to address the matter. In this connection, the SBP has communicated that the plan is under consideration. In the meantime, the SBP has exempted the Bank from complying with requirements of MCR till March 31, 2012. If the said plan is approved and implemented, management is hopeful that it would help the Bank to meet the MCR for the financial year ended 2011.

2. BASIS OF PRESENTATION

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

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

3. BASIS OF MEASUREMENT

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

4. STATEMENT OF COMPLIANCE

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

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

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

a. During the year, the following standards, amendments to standards and interpretations including amendments to interpretations became effective, however, the application of these amendments and interpretations did not have material impact on the financial statements of the Company:

Standards/Amendments/Interpretations	Effective date (accounting period beginning on or after)
Amendment to IAS 1 - Presentation of Financial Statements	1-Jan-11
IAS 24 (as revised in 2009) - Related Party Disclosures	1-Jan-11
Amendment to IAS 27 (2008) - Consolidated and Separate Financial Statements	1-Jul-10
Amendments to IAS 32 - Financial Instruments – Presentation	1-Feb-10
Amendment to IAS 34 - Interim Financial Reporting	1-Jan-11
Amendments to IFRS 3 (2008) - Business Combinations	1-Jul-10
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	1-Jul-10
Amendment to IFRIC 13 - Customer Loyalty Programmes	1-Jan-11
Amendment to IFRIC 14 - Prepayments of a Minimum Funding Requirement	1-Jan-11

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

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

Standards/Amendments/Interpretations	Effective date (accounting period beginning on or after)
Amendments to IAS 1 - Presentation of Financial Statements	1-Jul-12
Amendments to IAS 12 - Income Taxes	1-Jan-12
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	1-Jan-13

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

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement
- IAS 27 (Revised 2011) – Separate Financial Statements due to not adoption of IFRS 10 and IFRS11
- IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures due to not adoption of IFRS10 and IFRS 11

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

The amendments to IAS 19 Employee Benefits are effective for annual period beginning on or after January 1, 2013. The amendments eliminate the corridor approach and therefore require an entity to recognize changes in defined benefit plans obligations and plan assets when they occur. All actuarial gains or losses in other comprehensive income arising during the year are recognized immediately through other comprehensive income. The amendments also require additional disclosures and retrospective application with certain exceptions. Management anticipates that the amendments will be adopted in the Company's financial statements for annual period beginning on or after January 1, 2013, and the application of amendments may have impact on amounts reported in respect of defined benefit plans. However, management has not performed detailed analysis of the impact of the application of the amendments and hence yet not quantified the extent of the impact.

5. CRITICAL ACCOUNTING ESTIMATES AND KEY SOURCES OF ESTIMATION UNCERTAINITY

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

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

i) Classification of investments

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

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

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

ii) Provision against non performing loans and advances

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

iii) Valuation and impairment of available for sale equity investments

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

iv) Income taxes

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

v) Fair value of derivatives

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

vi) Fixed assets, depreciation and amortisation

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

vii) Defined benefits plans and other benefits

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

viii) Impairment of investments in associate and subsidiary

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

ix) Impairment of Goodwill

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6.1 Cash and cash equivalents

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

6.2 Lendings to / borrowings from financial institutions

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

(a) Sale under repurchase obligation

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

(b) Other lendings

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

(c) Purchase under resale obligation

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

(d) Other borrowings

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

6.3 Trade date accounting

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

6.4 Investments

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

(a) Held-for-trading

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

(b) Held to maturity

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

(c) Available-for-sale

These are investments, other than those in associate and subsidiary, 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.

Investment in subsidiary and associate is stated at cost. Provision is made for any impairment in 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 (less impairment, if any).

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

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

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

6.5 Financial instruments

6.5.1 Financial assets and financial liabilities

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

6.5.2 Derivative financial instruments

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

6.6 Off-setting of financial assets and financial liabilities

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

6.7 Advances (including net investment in finance lease)

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 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.

6.8 Operating fixed assets and depreciation

Tangible assets

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

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

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

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

Intangible assets

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

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

Capital work-in-process

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

6.9 Impairment

At each balance sheet date, the Bank reviews the carrying amounts of its assets 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

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

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences arising between tax bases of assets and liabilities and their carrying amounts appearing in the financial statements. 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 th t it is no longer probable that the related tax benefits will be realised.

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

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

6.11 Provisions

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

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

6.12 Staff retirement benefits

Defined contribution plan

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

Defined benefit plan

The Bank operates a unfunded gratuity scheme covering all employees, which requires contribution to be made in accordance with the actuarial recommendations. The most recent valuation in this regard was carried out as at December 31, 2011, using the projected unit credit actuarial valuation method. Under this method cost of providing for gratuity is charged to profit and loss account so as to spread the cost over the service lives of the employees in accordance with the actuarial valuation. Actuarial gains and losses are recognised as income or expense when the net cumulative unrecognised actuarial gains and losses at the end of the previous reporting period exceed 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognised over the expected average remaining working lives of the employees participating in the plan.

6.13 Revenue recognition

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

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

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

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

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

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

6.14 Dividend and appropriation to reserves

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

6.15 Foreign currencies

Functional and presentation currency

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

Foreign currency transactions

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

Translation gains and losses

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

Commitments

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

6.16 Goodwill

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

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

6.17 Segment reporting

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

6.17.1 Business segments

Corporate finance

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

Trading and sales

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

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 147 (2010: 126) branches / sub-branches and operates only in Pakistan.

6.18 Assets acquired in satisfaction of claims

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

6.19 Fiduciary assets

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

6.20 Earnings per share

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

	Note	2011	2010
		----Rupees in '000----	
7. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		**828,969**	507,599
Foreign currencies		**177,363**	122,310
		1,006,332	629,909
With State Bank of Pakistan in			
Local currency current account		**1,917,125**	1,233,645
Foreign currency accounts			
- Cash reserve account - non remunerative	7.1	**140,765**	108,159
- Special cash reserve account - remunerative	7.2	**419,147**	318,997
- Local US Dollar instruments collection and settlement account - remunerative	7.3	**7,098**	7,974
		2,484,135	1,668,775
With National Bank of Pakistan in			
- Local currency current accounts		**385,133**	233,686
- Foreign currency current account	7.4	**4,063**	1,017
		389,196	234,703
National Prize Bonds		**1,025**	122
		3,880,688	2,533,509

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% (2010: 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% (2010: 0%) per annum.

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

8. BALANCES WITH OTHER BANKS

	Note	2011	2010
		----Rupees in '000----	
In Pakistan			
On current accounts		**74,704**	66,477
On deposit accounts	8.1	**60**	62
		74,764	66,539
Outside Pakistan			
On current accounts		**39,220**	36,621
On deposit accounts	8.2	**22,896**	579,939
		62,116	616,560
		136,880	683,099

8.1 These carry mark-up at the rate of 0% (2010: 0%) per annum.

8.2 This represents deposits accounts / term placements outside Pakistan, carrying charge rate at 0% (2010: 2.75%) per annum.

9. LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2011	2010
		----Rupees in '000----	
Call money lendings	9.1 & 9.2	**1,000,000**	1,900,000
Lending to Financial Institutions	9.3	**772,758**	520,935
Repurchase agreement lendings (Reverse Repo)	9.4 & 9.5	**2,300,345**	1,222,425
		4,073,103	3,643,360

9.1 These represent unsecured call money lendings to financial institutions, carrying interest at the rates ranging between 11.55% and 12.50% (2010: 13.15% and 14.84%) per annum. These are due to mature between January 03, 2012 to March 16, 2012.

9.2 Included herein is a sum of Rs.NIL (2010: Rs.150.00) million due from a related party.

9.3 This represents secured lending to various financial institutions, carrying interest at the rates ranging between 1.50% and 14.92% (2010: 14.42% and 14.49%) per annum.

9.4 These are secured short-term lendings to various financial institutions carrying mark-up rates ranging from 11.80% to 12.50%. These are due to mature between January 03, 2012 to February 27, 2012. These are collaterlized by Market Treasury Bills, Pakistan Investment Bonds and Term Finance Certificates as shown in Note 9.7 below.

9.5 Included herein the sum of Rs. 270.080 million (2010: NIL) due from a related party carrying a mark-up rate of 11.90% due to mature on January 05, 2012.

	2011	2010
	----Rupees in '000----	
9.6 Particulars of lendings		
In local currency	**4,073,103**	3,643,360
In foreign currency	**-**	-
	4,073,103	3,643,360

9.7 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;

	2011			2010		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
	----------Rupees in '000----------			----------Rupees in '000----------		
Market Treasury Bills	**1,982,291**	**-**	**1,982,291**	1,077,000	-	1,077,000
Term Finance Certificates	**67,574**	**-**	**67,574**	150,000	-	150,000
Pakistan Investment Bonds	**253,690**	**-**	**253,690**	-	-	-
	2,303,555	**-**	**2,303,555**	1,227,000	-	1,227,000

10. INVESTMENTS - net

		2011			2010		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
10.1 Investments by type	Note	----------Rupees in '000----------			----------Rupees in '000----------		
Held-for-trading securities							
Market Treasury Bills	10.2.1 & 10.2.2	4,755,721	-	4,755,721	1,198,883	-	1,198,883
Pakistan Investment Bonds	10.2.1	208,211	-	208,211	168,740	-	168,740
Ijara Sukuk	10.2.1	998,000	-	998,000	-	-	-
Open end mutual funds	10.2.10	100,000	-	100,000	-	-	-
		6,061,932	-	6,061,932	1,367,623	-	1,367,623
Available-for-sale securities							
Market Treasury Bills	10.2.1	5,951,430	1,696,954	7,648,384	5,053,931	3,933,888	8,987,819
Pakistan Investment Bonds	10.2.1	4,421,546	-	4,421,546	486,051	-	486,051
Ordinary shares of listed companies	10.2.3	19,096	-	19,096	190,091	-	190,091
Preference shares of listed company	10.2.4	95,503	-	95,503	95,503	-	95,503
Term Finance Certificates-listed	10.2.5	1,375,972	-	1,375,972	1,193,711	-	1,193,711
Term Finance Certificates-unlisted	10.2.6	783,774	-	783,774	915,671	-	915,671
Sukuk Certificates-unlisted	10.2.7	193,966	-	193,966	295,314	-	295,314
Commercial Paper	10.2.8	51,256	-	51,256	-	-	-
Closed end mutual funds	10.2.9	118,601	-	118,601	126,506	-	126,506
Open end mutual funds	10.2.10	264,290	-	264,290	193,646	-	193,646
US dollar bonds	10.2.11	459,705	-	459,705	116,709	-	116,709
		13,735,139	1,696,954	15,432,093	8,667,133	3,933,888	12,601,021
Subsidiary							
JS Global Capital Limited	10.2.12	1,357,929	-	1,357,929	-	-	-
Total investments at cost		21,155,000	1,696,954	22,851,954	10,034,756	3,933,888	13,968,644
Less: Provision for diminution in value of investments	10.3	(155,920)	-	(155,920)	(293,444)	-	(293,444)
Investments (net of provision)		20,999,080	1,696,954	22,696,034	9,741,312	3,933,888	13,675,200
Unrealised (loss) / gain on revaluation of investments classified as held-for-trading	10.4	(3,010)	-	(3,010)	840	-	840
(Deficit) / surplus on revaluation of available-for-sale securities	20	(42,522)	(678)	(43,200)	36,491	(10,832)	25,659
Total investments at carrying value		20,953,548	1,696,276	22,649,824	9,778,643	3,923,056	13,701,699

	Note	2011	2010
		----Rupees in '000----	
10.2 Investments by segments			
Federal Government Securities			
Market Treasury Bills	10.2.1 & 10.2.2	**12,404,105**	10,186,702
Pakistan Investment Bonds	10.2.1	**4,629,757**	654,791
Ijara Sukuk	10.2.1	**998,000**	-
		18,031,862	10,841,493
Fully Paid Ordinary Shares			
Listed companies	10.2.3	**19,096**	190,091
Fully Paid Preference Shares			
Listed company	10.2.4	**95,503**	95,503
Term Finance Certificates			
Term Finance Certificates – listed	10.2.5	**1,375,972**	1,193,711
Term Finance Certificates – unlisted	10.2.6	**783,774**	915,671
Sukuk Certificates	10.2.7	**193,966**	295,314
		2,353,712	2,404,696
Mutual Funds			
Closed end mutual funds	10.2.9	**118,601**	126,506
Open end mutual funds	10.2.10	**364,290**	193,646
		482,891	320,152
Others			
Commercial Paper	10.2.8	**51,256**	-
US Dollar Bonds	10.2.11	**459,705**	116,709
		510,961	116,709
Subsidiary	10.2.12	**1,357,929**	-
Total investments at cost		**22,851,954**	13,968,644
Less: Provision for diminution in value of investments	10.3	**(155,920)**	(293,444)
Investments (net of provisions)		**22,696,034**	13,675,200
Unrealized (loss) / gain on revaluation of held for trading securities	10.4	**(3,010)**	840
(Deficit) / surplus on revaluation of available-for-sale securities	20	**(43,200)**	25,659
Total investments at carrying value		**22,649,824**	13,701,699

10.2.1 Principal terms of investment in Federal Government Securities

Name of investment	Maturity	Redemption Period	Coupon
Market Treasury Bills	January 12, 2012 to November 29, 2012	On maturity	At maturity
Pakistan Investment Bonds	August 22, 2012 to August 18, 2021	On maturity	Half Yearly
Ijara Sukuk	December 26, 2012	On maturity	Half Yearly

10.2.2 Included herein are Market Treasury Bills having a book value of Rs. 1,696.954 million (2010: 3,933.888 million), given as collateral against repurchase agreement borrowings from financial institutions.

10.2.3 Details of investment in Ordinary shares - listed

	No.of shares of Rs.10 each		Rating	Cost		Market value	
	2011	2010		2011	2010	2011	2010
Available-for-sale securities				----------Rupees in '000----------			
ICI Pakistan Limited	**-**	1,100,000	Unrated	**-**	190,091	**-**	158,664
Ghani Glass Limited	**83,326**	-	Unrated	**3,715**	-	**3,419**	-
Fauji Fertilizer Company Limited	**100,000**	-	Unrated	**15,381**	-	**14,953**	-
				19,096	190,091	**18,372**	158,664

10.2.4 Details of investment in preference shares - listed

	No.of shares of Rs.10 each		Rating	Cost		Market value	
	2011	2010		2011	2010	2011	2010
Available-for-sale securities				----------Rupees in '000----------			
Chenab Limited - 9.25% per annum cumulative preference shares (note 10.2.4.1)	**13,357,000**	13,357,000	Unrated	**95,503**	95,503	**22,707**	33,393
				95,503	95,503	**22,707**	33,393

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

10.2.5 Details of investment in Term Finance Certificates - listed *

	No.of Certificates		Rating	Cost		Market value	
	2011	2010		2011	2010	2011	2010
Available-for-sale securities				---------Rupees in '000---------			
Askari Bank Limited - 1st Issue	**1,080**	6,080	AA-	**5,386**	30,236	**5,382**	30,163
Askari Bank Limited - 3rd Issue	**8,236**	15,736	AA-	**41,244**	78,649	**42,125**	79,828
Bank Alfalah Limited - 2nd Issue	**19,000**	19,000	AA-	**63,166**	94,781	**63,149**	93,681
Faysal Bank Limited - 3rd Issue	**3,090**	3,090	AA-	**7,700**	11,547	**7,742**	11,505
Standard Chartered Bank Pakistan Limited -2nd Issue **	**-**	135	N/A	**-**	168	**-**	169
Engro Fertilizer Limited - 1st Issue	**45,880**	31,780	AA	**226,769**	158,700	**224,473**	155,567
Engro Fertilizer Limited - 3rd Issue	**35,119**	42,814	AA	**175,686**	213,984	**178,177**	215,308
Faysal Bank Limited	**2,341**	2,341	AA-	**11,686**	11,691	**11,608**	11,338
NIB Bank Limited	**30,798**	25,798	A+	**148,962**	124,172	**150,710**	125,434
Pak Arab Fertilizer Limited - 2nd Issue	**39,950**	39,950	AA	**147,370**	186,789	**148,479**	182,132
Pakistan Mobile Communication Limited	**31,260**	39,260	AA-	**76,885**	158,343	**78,236**	163,292
World Call Telecommunication Limited	**90,650**	5,000	A	**235,556**	7,580	**225,190**	8,280
Allied Bank Limited - 2nd Issue	**9,000**	9,000	AA-	**44,964**	44,982	**42,641**	43,272
Orix Leasing Pakistan Limited - 2nd Issue (face value of Rs.100,000 each)	**1,134**	-	AA+	**113,400**	-	**117,418**	-
United Bank Limited - 3rd Issue unsecured	**1,000**	-	AA	**3,229**	-	**3,150**	-
United Bank Limited - 2nd Issue unsecured	**15,837**	15,317	AA	**73,969**	72,089	**72,776**	67,091
				1,375,972	1,193,711	**1,371,256**	1,187,060

* 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'.

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

Name of the Investee	Profit: Repayment frequency	Profit: Rate per annum	Maturity Date
Askari Bank Limited - 1st Issue	Semi-annually	6 months KIBOR ask rate plus 1.50%	February 04, 2013
Askari Bank Limited - 3rd Issue	Semi-annually	6 months KIBOR ask rate plus 2.95% for 1st Five Year	November 18, 2019
Bank Alfalah Limited	Semi-annually	6 months KIBOR ask rate plus 1.50%	November 23, 2012
Faysal Bank Limited	Semi-annually	6 months KIBOR ask rate plus 1.50%	February 10, 2013
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
NIB Bank Limited	Semi-annually	6 months KIBOR ask rate plus 1.15%	March 05, 2016
Pak Arab Fertilizer Limited - 2nd Issue	Semi-annually	6 months KIBOR ask rate plus 1.50%	February 28, 2013
Pakistan Mobile Communication Limited	Semi-annually	6 months KIBOR ask rate plus 2.85%	May 31, 2013
World Call Telecommunication Limited	Semi-annually	6 months KIBOR ask rate plus 1.60%	October 07, 2013
Allied Bank Limited - 2nd Issue	Semi-annually	6 months KIBOR ask rate plus 1.30% (for 5 Years)	August 28, 2019
Orix Leasing Pakistan Limited	Quarterly	3 month KIBOR ask rate plus 2.15 %.	June 30, 2014
United Bank Limited - 2nd Issue	Semi-annually	Fixed 9.49%	March 15, 2013
United Bank Limited - 3rd Issue	Semi-annually	Fixed 8.45%	August 10, 2012

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

Name of the Company	No.of Certificates 2011	No.of Certificates 2010	Rating	Face value per certificate Rupees	Cost 2011	Cost 2010
					Rupees in '000	
Bank Alfalah Limited - 4th Issue	**7,000**	10,000	AA-	5,000	**35,286**	50,479
KASB Securities Limited	**14,000**	14,000	AA-	5,000	**22,901**	66,013
Orix Leasing Pakistan Limited	**2,795**	3,145	AA	100,000	**135,593**	249,419
Nishat Chunian Limited	**50,000**	50,000	A+	5,000	**234,375**	250,000
Engro Fertilizer Limited - 2nd Issue	**1,300**	-	AA	5,000	**5,879**	-
Askari Bank Limited - 4th Issue	**50**	-	AA-	1,000,000	**50,000**	-
Related parties						
Azgard Nine Limited	**30,000**	30,000	D	5,000	**149,880**	149,880
Agritech Limited (note 10.2.6.1) [formerly known as Pak American Fertilizers Limited]	**30,000**	30,000	D	5,000	**149,860**	149,880
					783,774	915,671

10.2.6.1 The portfolio of unlisted Term Finance Certificates includes investment in Azgard Nine Limited and Agritech Limited amounting to Rs. 149.880 million and 149.860 million respectively as disclosed above. The impact of relaxation availed by the Bank for maintaining provision against these investments has been disclosed in note 11.3.1 to these financial statements.

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

Name of the Investee	Profit: Repayment frequency	Profit: Rate per annum	Maturity Date
Bank Alfalah Limited (Chief Executive: Mr. Atif Bajwa)	Semi-annually	6 month KIBOR ask rate plus 2.50 %.	December 02, 2017
KASB Securities Limited (Chief Executive: Mr.Nadir Rahman)	Semi-annually	6 month KIBOR ask rate plus 1.90 %.	June 27, 2012
Orix Leasing Pakistan Limited (Chief Executive: Mr. Teizoon Kisat)	Semi-annually	6 month KIBOR ask rate plus 1.40%.	January 15, 2013
Nishat Chunian Limited (Chief Executive: Mr. Shahzad Saleem)	Quarterly	3 month KIBOR ask rate plus 2.25%.	September 30, 2015
Engro Fertilizer Ltd. (Chief Executive: Mr. Asad Umer)	Semi-annually	6 month KIBOR ask rate plus 1.70%.	March 18, 2018
Askari Bank Limited - (Chief Executive: Mr. M.R. Mehkari)	Semi-annually	6 month KIBOR ask rate plus 2.20%.	December 23, 2021
Related Parties			
Azgard Nine Limited (Chief Executive: Mr. Ahmed H. Shaikh)	Semi-annually	6 Months KIBOR ask rate plus 2.25%.	December 04, 2017
Agritech Limited [formerly known as Pak American Fertilizers Limited] (Chief Executive: Mr. Jaudet Bilal)	Semi-annually	6 month KIBOR ask rate plus 1.75%.	November 29, 2014

10.2.7 Sukuk Certificates - unlisted

Name of the Investee	No.of Certificates 2011	No.of Certificates 2010	Rating	Face value per certificate Rupees	Cost 2011 Rupees in '000	Cost 2010 Rupees in '000
Available-for-sale securities						
Karachi Shipyard and Engineering Works Limited	**-**	3,000	N/A	5,000	**-**	15,000
Sitara Chemical Industries Limited	**19,000**	19,000	N/A	5,000	**39,583**	71,250
Century Paper & Board Mills Limited	**49,950**	54,950	A+	5,000	**144,303**	209,064
Orix Leasing Pakistan Ltd.	**12,160**	-	N/A	5,000	**10,080**	-
					193,966	295,314

10.2.7.1 Other particulars of Sukuk Certificates are as follows:

Name of the Investee	Profit: Repayment frequency	Profit: Rate per annum	Maturity Date
Sitara Chemical Industries Limited (Chief Executive: Mr. Muhammad Adrees)	Quarterly	3 months KIBOR ask rate + 1.0%	January 02, 2013
Century Paper & Board Mills Limited (Chief Executive: Mr. Aftab Ahmad)	Semi-annually	6 months KIBOR ask rate + 1.35%	September 25, 2014
Orix Leasing Pakistan Limited (Chief Executive: Mr. Teizoon Kisat)	Semi-annually	6 months KIBOR ask rate + 1.25%	June 30, 2012

10.2.8 Commercial papers are for a period of six months and carry a yield of 14.16% (2010: NIL) per annum with maturity up to May 2012.

10.2.9 Closed End Mutual Funds

Fund	No.of Certificates 2011	No.of Certificates 2010	Rating	Face value per certificate Rupees	Cost 2011	Cost 2010	Market Value 2011	Market Value 2010
					--------Rupees in '000--------			
Available- for-sale								
First Dawood Mutual Fund	**2,362,100**	3,350,050	2-Star	10	**18,900**	26,805	**4,017**	6,700
JS Value Fund - a related party	**8,745,668**	8,745,668	5-Star	10	**99,701**	99,701	**37,606**	41,717
					118,601	126,506	**41,623**	48,417

10.2.10 Open End Mutual Funds

Fund	No.of Units 2011	No.of Units 2010	Rating	Net Asset Value per unit Rupees	Cost 2011	Cost 2010	Market Value 2011	Market Value 2010
Held For Trading					--------Rupees in '000--------			
JS Cash Fund - a related party	**987,556**	-	AA+	101.32	**100,000**	-	**100,059**	-
Available-for-sale								
JS Cash Fund - a related party	**411,856**	-	AA+	101.32	**41,573**	-	**41,729**	-
JS Principal Secure Fund - a related party	**204,564**	-	AA	111.53	**22,717**	-	**22,815**	-
JS Large Cap. Fund - a related party	**-**	2,420,579	AM2-	65.15	**-**	193,646	**-**	157,701
JS Income Fund - a related party	**2,325,311**	-	A+	86.04	**200,000**	-	**200,070**	-
					364,290	193,646	**364,673**	157,701

10.2.11 Investment in US Dollar Bonds

Name of Bond	Rating	Coupon Rate	Date of issue	Date of Maturity	Redemption period in years	Cost 2011	Cost 2010
						Rupees in '000	
Available for sale							
ABN Amro Bank	BBB+	6.25%	27-Apr-11	27-Apr-22	11	**89,147**	-
African Bank	BAA2	6.00%	15-Jun-11	15-Jun-16	5	**22,444**	-
Doosan Infracore America Corporation	A	4.50%	23-Nov-11	23-Nov-16	5	**26,912**	-
Gaz Capital SA	BBB	4.95%	23-May-11	23-May-16	5	**44,973**	-
Indian Oil Corporation Limited	BBB-	5.63%	2-Aug-11	2-Aug-21	10	**26,780**	-
NTPC Limited	BBB-	5.63%	14-Jul-11	14-Jul-21	10	**45,120**	-
Royal Bank of Scotland Group	BB+	5.00%	12-Nov-03	12-Nov-13	10	**44,761**	-
Societe Generale Group	A+	2.20%	14-Sep-10	14-Sep-13	3	**21,526**	-
Standered Chartered Bank PLC	BBB+	8.13%	27-May-08	27-Nov-13	6	**56,362**	-
VEB Leasing	BBB	5.13%	27-May-11	27-May-16	5	**36,188**	-
VTB Capital SA	BBB	6.55%	13-Oct-10	13-Oct-20	10	**45,492**	-
First Gulf Bank	A2	4.00%	19-Nov-09	26-Nov-12	3	**-**	85,785
Qatar Petroleum	Aa2	5.58%	26-May-06	30-May-11	5	**-**	30,924
						459,705	116,709

10.2.12 Investment in subsidiary

As explained in note 1.3, during the current year the Bank acquired 25,525,169 ordinary shares of JS Global Capital Limited (JSGCL) in lieu of issuance of 185,321,537 shares of the Bank at an agreed share-exchange ratio of 7.26034550 shares of Bank for each share in JSGCL. The transactions consisted of acquiring entire shareholding of Jahangir Siddiqui & Company Limited (43.47%) comprising of 21,734,826 shares on October 21, 2011 whereas remaining shares of 3,790,343 shares were acquired from open market through public offer on December 21, 2011. Further details of subsidiary are given in consolidated financial statements.

As at December 31, 2011, the total shareholding of the Bank in JSGCL amounts to 51.05%. The investment was classified as investment in associate on first purchase and accounted for under IAS - 28 "Investment in Associate". Subsequent to the second purchase investment was classified as investment in subsidiary and carried at cost. Share of profit from associate includes two months profit amounting to Rs. 10.465 million and excess of fair value of net assets of the associate over consideration transferred amounting to Rs. 23.653 million.

10.3 Particulars of provision for diminution in value of investments

	2011	2010
	----Rupees in '000----	
Opening balance	**293,444**	294,656
Charge for the year	**10,686**	86,290
Reversal on disposal of investments	**(148,210)**	(87,502)
	(137,524)	(1,212)
Closing balance	**155,920**	293,444

10.3.1 Particulars of provision for diminution in value of investments by type and segment

	2011	2010
Available-for-sale		
Ordinary shares of listed companies	**-**	59,675
Preference shares of listed company	**72,796**	62,110
Closed end mutual funds	**83,124**	89,359
Open end mutual funds	**-**	82,300
	155,920	293,444

	Note	2011	2010
		----Rupees in '000----	
10.4 Unrealized (Loss) / Gain on revalution of investments classified as held for trading			
Market Treasury Bills		**(2,695)**	131
Pakistan Investment Bonds		**(374)**	709
Open end mutual funds		**59**	-
		(3,010)	840

11. ADVANCES - net

	Note	2011	2010
Loans, cash credit, running finances, etc. - in Pakistan			
In Pakistan		**16,532,849**	14,003,773
Outside Pakistan		**1,116,517**	270,391
		17,649,366	14,274,164
Net investment in finance lease in Pakistan	11.2	**413,039**	108,783
Bills discounted and purchased (excluding treasury bills)			
payable in Pakistan		**320,468**	120,668
payable outside Pakistan		**149,654**	1,922
		470,122	122,590
Advances - gross		**18,532,527**	14,505,537
Provision for non-performing advances - specific	11.4	**(512,666)**	(525,364)
Provision for non-performing advances - general	11.4	**(1,083)**	(2,060)
		(513,749)	(527,424)
Advances - net of provision		**18,018,778**	13,978,113

11.1 Particulars of advances (gross)

	2011	2010
11.1.1 In local currency	**17,266,356**	14,233,224
In foreign currency	**1,266,171**	272,313
	18,532,527	14,505,537
11.1.2 Short term (for upto one year)	**16,078,309**	11,129,105
Long term (for over one year)	**2,454,218**	3,376,432
	18,532,527	14,505,537

11.2 Particulars of net investment in finance lease

	2011			2010		
	Note later than one year	Later than one and less than five years	Total	Note later than one year	Later than one and less than five years	Total
	------Rupees in '000------			------Rupees in '000------		
Lease rentals receivable	**147,370**	**329,540**	**476,910**	48,147	76,791	124,938
Guaranteed residual value	**-**	**43,874**	**43,874**	-	9,102	9,102
Minimum lease payments	**147,370**	**373,414**	**520,784**	48,147	85,893	134,040
Finance charges for future periods	**68,747**	**38,998**	**107,745**	13,382	11,875	25,257
Present value of minimum lease payments	**78,623**	**334,416**	**413,039**	34,765	74,018	108,783

11.3 Advances include Rs.2,776.895 (2010: Rs.1,902.566) million which have been placed under non-performing status as detailed below:

Category of clasification	Note	Domestic	Overseas	Total	Provision required	Provision held
		2011				
		Rupees in '000				
Other assets especially mentioned		-	-	-	-	-
Substandard		973	-	973	95	95
Doubtful		1,671,373	-	1,671,373	248	248
Loss		1,104,549	-	1,104,549	512,323	512,323
	11.3.1	2,776,895	-	2,776,895	512,666	512,666

Category of clasification		Domestic	Overseas	Total	Provision required	Provision held
		2010				
		Rupees in '000				
Other assets especially mentioned		-	-	-	-	-
Substandard		410,458	-	410,458	365	365
Doubtful		561,516	-	561,516	6,083	6,083
Loss		930,592	-	930,592	518,916	518,916
	11.3.1	1,902,566	-	1,902,566	525,364	525,364

11.3.1 Included herein are the classified advances pertaining to Azgard Nine Limited and Agritech Limited (related parties) amounting to Rs. 536.570 million and 1,261.983 million respectively. The State Bank of Pakistan vide letter number BSD/BRP/-1/000776/2012 dated January 18, 2012 and BSD /BRP-1/001485/2012 dated February 02, 2012 has granted the relaxation for provisioning requirement under Prudential Regulations till February 28, 2012. Consequently, no provision has been recognized in these financial statements in respect of these loans.

11.4 Particulars of provision against non-performing advances

	2011 Specific	2011 General	2011 Total	2010 Specific	2010 General	2010 Total
	Rupees in '000			Rupees in '000		
Opening balance	525,364	2,060	527,424	473,082	4,485	477,567
Charge for the year	78,683	-	78,683	141,463	-	141,463
Reversals (note 11.4.1)	(91,381)	(977)	(92,358)	(88,844)	(2,425)	(91,269)
	(12,698)	(977)	(13,675)	52,619	(2,425)	50,194
Amount written off from the opening balance	-	-	-	(337)	-	(337)
Closing Balance	512,666	1,083	513,749	525,364	2,060	527,424
In local currency	512,666	1,083	513,749	525,364	2,060	527,424
In foreign currencies	-	-	-	-	-	-
	512,666	1,083	513,749	525,364	2,060	527,424

11.4.1 Included herein is a sum of Rs.NIL (2010: Rs.86.673) million reversed on receipt of cash from a related party.

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

11.5 During the year, the SBP vide BSD Circular number 01 dated October 21, 2011 amended Prudential Regulations in relation to benefit of forced sale value against mortgaged commercial and residential properties. Management applied the revised requirements against non-performing advances against which benefit was availed under the previous requirements. However, becuase the effect of revised requirement is not material to the financial statements, management has decided to keep the previous benefit intact. In accordance with SBP directives, after tax FSV benefit amounting to Rs. 301.293 million will not be available for payment of cash or stock dividend.

11.6 No advances were written off in the current year.

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	2011	2010
		----Rupees in '000----	
Balance at the beginning of the year		**250,345**	219,982
Loans granted during the year		**164,010**	142,298
Repayments		**(92,261)**	(111,935)
Balance at the end of the year		**322,094**	250,345

12. OPERATING FIXED ASSETS

	Note	2011	2010
Capital work-in-progress	12.1	**17,591**	8,863
Property and equipment	12.2	**1,398,849**	1,273,932
Intangible assets	12.3	**1,604,999**	1,600,146
		3,021,439	2,882,941

12.1 Capital work-in-progress

Property and equipment

	2011	2010
Civil works	**3,744**	-
Advances for purchase of furniture & fixtures	**2,744**	-
Advance for purchase of vehicles	**2,484**	-
Advance for purchase of equipment	**8,619**	8,863
	17,591	8,863

12.2 Property and equipment

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

	COST				ACCUMLATED DEPRECIATION					
	As at January 01, 2010	Additions	Deletions	As at December 31, 2010	As at January 01, 2010	Depreciation On Deletions	Change for the year	As at December 31, 2010	Book value as at December 31, 2010	Rate %
	---Rupees in '000---									
Building on free hold land	55,478	-	-	55,478	225	-	899	1,124	54,354	1.01 - 10.0
Building on lease hold land	331,200	1,100 10,000*	-	342,300	13,586	-	6,846	20,432	321,868	1.02 - 4.78
Lease hold improvements	444,112	23,971	(26,484)	441,599	58,975	(12,547)	43,585	90,013	351,586	10
Furniture and fixture	120,234	19,750	(7,291)	132,693	24,972	(1,352)	15,337	38,957	93,736	10 - 20
Electrical, office and computer equipment	621,115	60,665	(11,400)	670,380	193,610	(4,587)	121,286	310,309	360,071	12.5 - 33.3
Vehicles	166,391	28,090	(11,094)	183,387	61,527	(5,682)	35,225	91,070	92,317	20
	1,738,530	133,576 10,000*	(56,269)	1,825,837	352,895	(24,168)	223,178	551,905	1,273,932	

12.2.1 Included in cost of property and equipment are fully depreciated items still in use having cost of Rs. 238.986 (2010: Rs.96.609) million.

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

Particulars	Cost	Accumulated depreciation	Written down value	Sale procceds	Profit/ (loss)	Mode of disposal	Buyer's particulars
	---Rupees in '000---						
Vehicles							
Honda civic	1,859	960	899	1,800	901	Insurance Claim	"EFU GENERAL INSURANCE LTD. 1st Floor Kashif Centre Main Shahra-e-faisal Karachi"
Honda civic	1,506	1,305	201	1,450	1,249	Negotiation	"HONDA SITE C-1 SITE Mangopir Road, Karachi"
Honda civic	1,506	1,255	251	1,505	1,254	Negotiation	MAJ. BASIT ALI (JS STAFF)
Toyota corolla	1,414	401	1,013	1,414	401	Insurance Claim	"EFU GENERAL INSURANCE LTD. 1st Floor Kashif Centre Main Shahra-e-faisal Karachi"
Balance c/f	**6,285**	**3,921**	**2,364**	**6,169**	**3,805**		

Particulars	Cost	Accumulated depreciation	Written down value	Sale procceds	Profit/ (loss)	Mode of disposal	Buyer's particulars
	-----------------------Rupees in '000	-----------------------					
Balance b/f	**6,285**	**3,921**	**2,364**	**6,169**	**3,805**		
Vehicles							
Honda civic	1,376	1,215	161	1,350	1,189	Insurance Claim	"EFU GENERAL INSURANCE LTD. 1st Floor Kashif Centre Main Shahra-e-faisal Karachi"
Toyota corolla	1,319	769	550	1,100	550	Insurance Claim	"EFU GENERAL INSURANCE LTD. 1st Floor Kashif Centre Main Shahra-e-faisal Karachi"
Toyota corolla	1,040	659	381	1,056	675	Negotiation	IRFAN MOTEN
Toyota corolla	993	712	281	975	694	Insurance Claim	"EFU GENERAL INSURANCE LTD. 1st Floor Kashif Centre Main Shahra-e-faisal Karachi"
Suzuki Cultus	835	445	390	740	350	Negotiation	"HAIDER ALI TALPUR (STAFF H. No. 120, Manak G Street Garden East Karachi"
Suzuki Cultus	835	445	390	750	360	Negotiation	"WAQAR MOTORS (Khurram Shahzad Rana) H. No. 38/3, Konal Park Gulberg Lahore"
Suzuki Cultus	682	432	250	640	390	Negotiation	IMRAN H.SHEIKH (STAFF)
Furniture and fixture							
Furniture	556	179	377	537	160	Insurance Claim	"EFU GENERAL INSURANCE LTD. 1st Floor Kashif Centre Main Shahra-e-faisal Karachi"
Others (Note 12.2.3)	11,048	7,038	4,010	10,887	6,877	Various	Various
	24,969	**15,815**	**9,154**	**24,204**	**15,050**		

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

12.3 Intangible assets

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

		COST				ACCUMLATED AMORTISATION / IMPAIRMENT				
		As at January 01, 2010	Additions / *Transfer	Deletions	As at December 31, 2010	As at January 01, 2010	Charge for the year	As at December 31, 2010	Book value as at December 31, 2010	Rate %
		---Rupees in '000---								
Stock exchange card	12.3.1	21,000	(10,000)*	-	11,000		-	-	11,000	
Computer software		146,687	13,907	-	160,594	19,593	15,479	35,072	125,522	10
Goodwill	12.3.2	1,463,624	-	-	1,463,624		-	-	1,463,624	-
		1,631,311	13,907	-	1,635,218	19,593	15,479	35,072	1,600,146	
			(10,000)*	-						

12.3.1 This represents membership card of Islamabad Stock Exchange. It has an indefinite useful life and is carried at cost.

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 plan 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.

	2011	2010
Discount rate	**23.86%**	25.90%
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. 769.125 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 (%)
Cost of equity	1.86
Terminal growth rate	(3.17)

13. DEFERRED TAX ASSETS - net

	Note	2011	2010
		----Rupees in '000----	
Deferred tax debits arising from:			
Unused tax losses	13.1 & 13.2	**1,248,585**	1,310,758
Provision against investments and loans		**106,415**	231,692
Unrealized loss of revaluation of investment classified as held for trading		**1,053**	-
Deferred cost		**235**	471
Provision for gratuity		**26,371**	-
Minimum tax		**86,140**	-
Deficit on revaluation of assets		**15,120**	-
Deferred tax credits arising due to:			
Fixed assets		**(140,471)**	(144,280)
Goodwill		**(256,134)**	(205,048)
Unrealized gain on revaluation of forward foreign exchange contracts		**(1,436)**	-
Share of profit from associate		**(3,412)**	-
Surplus on revaluation of assets		**-**	(8,980)
		1,082,466	1,184,613

13.1 Included herein is a sum of NIL (2010: Rs.5.989) million and Rs.305.885 (2010: Rs.390.988) million representing deferred tax asset relating to Jahangir Siddiqui Investment Bank Limited and American Express Bank Limited - Pakistan Branch, respectively, in respect of tax losses, expected to be available for carry forward and set off against the income of the Bank in terms of Section 57A of the Income Tax Ordinance, 2001. In addition, it also includes deferred tax asset set up in respect of tax loss of the Bank. The management of the Bank believes that based on the projections of future taxable profit, it would be able to realise these tax losses in the future.

13.2 The management of the Bank has prepared a five year business plan which has been approved by the Board of Directors of the Bank. The business plan involves certain key assumptions underlying the estimation of future taxable profits projected in the plan. 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 business plan and consequently the deferred tax asset will be fully realised in the future.

14. OTHER ASSETS

	Note	2011	2010
		----Rupees in '000----	
Income / mark-up accrued in local currency		**601,609**	501,783
Income / mark-up accrued in foreign currency		**14,891**	1,479
Advances, deposits, advance rent and other prepayments		**156,900**	133,904
Taxation (payments less provision)		**54,224**	58,976
Receivable against bancaassurance from a related party		**14,388**	10,798
Stationery and stamps on hand		**3,196**	1,459
Prepaid exchange risk fee		**364**	391
Unrealised gain on forward foreign exchange contracts - net		**4,103**	4,978
Receivable from other banks in respect of remittance	14.1	**178,159**	55,019
Others		**29,557**	7,526
		1,057,391	776,313

14.1 This includes an amount of Rs. 150.085 (2010: 32.101) million receivable from State Bank of Pakistan in respect of home remittance services provided by the Bank.

15. BILLS PAYABLE

	Note	2011	2010
		----Rupees in '000----	
In Pakistan		**1,242,139**	364,197
Outside Pakistan		**4,855**	5,423
		1,246,994	369,620

16. BORROWINGS

	2011	2010
In Pakistan	**2,942,935**	5,520,237
Outside Pakistan	**1,560**	4,173
	2,944,495	5,524,410

16.1 Particulars of borrowings with respect to currencies

	2011	2010
In local currency	**2,942,935**	5,520,237
In foreign currencies	**1,560**	4,173
	2,944,495	5,524,410

	Note	2011	2010
16.2 Details of borrowings from financial institutions		----Rupees in '000----	
Secured			
Borrowing from SBP under export refinancing scheme	16.2.1	**1,248,000**	1,237,017
Repurchase agreement borrowings	16.2.2	**1,694,935**	3,883,220
		2,942,935	5,120,237
Unsecured			
Call borrowings	16.2.3	**-**	400,000
Overdrawn nostro accounts	16.2.4	**1,560**	4,173
		1,560	404,173
		2,944,495	5,524,410

16.2.1 The Bank has entered into agreement with the State Bank of Pakistan (SBP) for extending export finance to customers. As per the terms of the agreement, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of finances by directly debiting the current account maintained by the Bank with SBP. These borrowings are repayable on a quarterly basis and carry mark-up at the rate ranging between 10.0% and 10.5% (2010: 9% and 10%) per annum.

16.2.2 This represents collateralised borrowing from various commercial banks against Market Treasury Bills carrying mark-up at the rate ranging between 11.63% and 11.90% (2010: 12.70% and 13.10%) per annum and would mature in January 2012 (2010: January to March 2011).

16.2.3 These represent call money borrowings from financial institutions, carrying interest at the rates ranging between NIL (2010: 12.25% and 13.35%) per annum.

16.2.4 This represents borrowings of Rs.1.560 (2010: Rs.4.173) million from various commercial banks, outside Pakistan.

17. DEPOSITS AND OTHER ACCOUNTS

	2011	2010
Customers	----Rupees in '000----	
Fixed deposits	**14,252,810**	8,728,524
Savings deposits	**11,404,426**	8,097,181
Current accounts - non-remunerative	**11,293,377**	6,896,222
Margin account	**94,834**	47,131
	37,045,447	23,769,058
Financial Institutions		
Remunerative deposits	**4,366,465**	2,444,461
Non-remunerative deposits	**75,119**	62,809
	4,441,584	2,507,270
	41,487,031	26,276,328

17.1 Particulars of deposits		
In local currency	**38,494,249**	24,029,657
In foreign currencies	**2,992,782**	2,246,671
	41,487,031	26,276,328

18. OTHER LIABILITIES

	Note	2011	2010
		----Rupees in '000----	
Mark-up / return / interest payable in local currency	18.1	**252,105**	390,276
Mark-up / return / interest payable in foreign currency		**1,958**	1,456
Accrued expenses		**194,025**	144,012
Payable in respect of defined benefit plan	33.4	**75,345**	58,009
Payable against capital expenditure		**-**	20,822
Customer insurance payable		**3,695**	6,357
Payable against purchase of marketable securities		**-**	683,163
Unclaimed dividends		**4,274**	4,274
Government duties		**10,268**	9,333
Lease key money deposit		**43,875**	9,102
Payable against remittance		**88,538**	21,038
Others		**90,936**	27,161
		765,019	1,375,003

18.1 Included herein is a sum of Rs. 2.415 (2010: Rs.1.099) million payable to related parties.

19. SHARE CAPITAL

19.1 Authorised capital

2011	2010		Note	2011	2010
----Number of shares----				----Rupees in '000----	
1,200,000,000	1,200,000,000	Ordinary shares of Rs.10 each		**12,000,000**	12,000,000

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

2011	2010		Note	2011	2010
----Number of shares----				----Rupees in '000----	
538,558,965	538,558,965	Issued for cash		**5,385,590**	5,385,590
461,734,037	276,412,500	Issued for consideration other than cash	19.2.1	**4,617,340**	2,764,125
1,000,293,002	814,971,465			**10,002,930**	8,149,715

19.2.1 During the year, the Board of Directors of the Bank in their meeting held on May 18, 2011 and the shareholders of the Bank in the extraordinary general meeting held on June 15, 2011 approved acquisition of shares of JS Global Capital Limited (JSGCL) from Jahangir Siddiqui & Co. Limited and other shareholders of JSGCL in exchange of issuance of new shares of the Bank. After obtaining all regulatory approvals, 25,525,169 shares of JSGCL (21,734,826 shares from JSCL & 3,790,343 shares from other shareholders of JSGCL) were acquired in exchange for issuance of 185,321,537 shares of the Bank in two allotments made on October 22, 2011 and December 20, 2011.

19.2.2 JSCL held 683,368,538 (2010: 525,566,192) Ordinary shares of Rs.10 each as at December 31, 2011 representing 68.32% (2010: 64.49%) holding.

	2011	2010
	----Rupees in '000----	
20. (DEFICIT) / SURPLUS ON REVALUATION OF ASSETS - net of tax		
(Deficit) / surplus arising on revaluation of available-for-sale securities:		
Term Finance Certificates - listed	**(4,716)**	(6,651)
Ordinary shares - listed	**(724)**	28,248
Closed end mutual funds	**6,146**	11,270
Open end mutual funds	**324**	46,355
US dollar bonds	**(15,373)**	1,598
Government securities	**(28,857)**	(55,161)
	(43,200)	25,659
Less: Related deferred tax liability	**15,120**	(8,980)
	(28,080)	16,679

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.

	2011	2010
i) Government	**890,007**	540,390
ii) Banking companies and other financial institutions	**98,165**	16,493
iii) Others	**403,562**	548,175
	1,391,734	1,105,058

21.2 Trade-related contingent liabilities

	2011	2010
Documentary credits	**2,921,223**	1,588,191

21.3 Other contingencies

	2011	2010
Claims not acknowledged as debts	**66,481**	66,481

21.4 Commitments in respect of forward exchange contracts

	2011	2010
Purchase	**1,948,987**	2,874,196
Sale	**1,446,561**	1,815,855

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

	2011	2010
Forward commitments to extend credit	**214,800**	434,000

21.6 Other commitments

	2011	2010
Commitment in respect of capital expenditure	**8,438**	14,993

22. DERIVATIVE INSTRUMENTS

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

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

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

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

	Note	2011	2010
		----Rupees in '000----	
23. MARK-UP / RETURN / INTEREST EARNED			
On loans and advances to:			
Customers		**2,013,332**	1,433,974
Financial institutions		**147,672**	226,106
On investments in:			
Available-for-sale securities		**1,478,245**	1,386,419
Held-for-trading securities		**523,384**	3,956
On deposits with financial institutions		**41**	8
On securities purchased under resale agreements		**149,533**	249,304
		4,312,207	3,299,767
24. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		**2,103,612**	1,597,987
Securities sold under repurchase agreements		**305,137**	452,259
Borrowings		**174,776**	204,768
		2,583,525	2,255,014
25. FEE, COMMISSION AND BROKERAGE INCOME			
Advisory fee		**9,669**	4,360
Trustee fee		**3,896**	2,513
Other fees, commission and charges	25.1	**337,618**	189,342
		351,183	196,215

25.1 This includes Rs. 63.322 (2010: 24.414) 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.

26. GAIN / (LOSS) ON SALE OF SECURITIES - net

	2011	2010
	----Rupees in '000----	
Federal Government Securities		
- Treasury Bills	**112,917**	4,254
- Pakistan Investment Bonds	**141,218**	28,259
Ordinary shares - listed	**(16,332)**	(20,509)
Term Finance Certificates	**25,717**	18,667
US Dollar Bonds	**3,218**	2,261
Mutual Fund Units / Certificates	**(20,963)**	15,906
	245,775	48,838

26.1 Included herein a sum of Rs. 15.72 (2010: Rs.0.60) million representing loss arising on sale of shares/ units of a related party.

27. ADMINISTRATIVE EXPENSES

	Note	2011	2010
		----Rupees in '000----	
Salaries, wages, allowances, etc.		**772,968**	645,610
Charge for defined benefit plan		**17,336**	21,721
Contribution to defined contribution plan		**34,386**	31,169
Non-executive directors' fee, allowances and other expenses		**313**	300
Contractor wages		**92,305**	74,661
Brokerage, fee and commission		**13,561**	14,153
Rent, taxes, insurance, electricity, etc.		**375,656**	333,074
Legal and professional charges		**12,038**	6,531
Communication		**69,183**	75,309
Repairs and maintenance		**207,447**	149,061
Travel and other related expenses		**11,478**	9,564
Stationery and printing		**44,497**	37,835
Advertisement and publicity		**48,881**	33,416
Postage and courier service		**14,000**	10,103
Stamp duty		**1,581**	1,701
CDC and other charges		**3,053**	1,443
Bank charges and clearing house charges		**25,258**	17,872
Consultancy fee		**24,797**	28,616
Security services		**44,194**	44,059
Fees and subscription		**16,451**	26,146
Auditors' remuneration	27.1	**3,135**	4,666
Depreciation	12.2	**226,386**	223,178
Amortisation of intangible assets	12.3	**17,436**	15,479
Staff training		**1,976**	1,001
Others		**20,041**	40,172
		2,098,357	1,846,840

27.1 Auditors' Remuneration

	2011	2010
Audit fee	**1,200**	1,200
Half-yearly review	**400**	400
Special certification and Tax Fee	**1,525**	2,730
Out of pocket expenses	**10**	336
	3,135	4,666

28. OTHER CHARGES

	2011	2010
Penalties imposed by State Bank of Pakistan	**7,840**	686

29. TAXATION

Under Section 114 of the Income Tax Ordinance, 2001, the Bank has filed the returns of income for the tax years 2006 through 2011 on due dates. The said returns are deemed to be assessed under the provisions of the prevailing income tax law as applicable in Pakistan during the relevant accounting years.

Tax authorities have issued notices for the amendment of assessments for the tax years 2008 to 2010. Since such proceedings have not yet been concluded by the authorities, therefore, any estimate of tax exposure cannot be determined at this stage. Moreover, withholding tax monitoring by LTU, Karachi for tax years 2010 and 2011 has also been initiated. For the tax year 2011, such monitoring is being carried out with respect to salaries and profit on debt, however, for tax year 2010 the monitoring is being carried out with respect to profit on debt u/s 151 of the Income Tax Ordinance, 2001. As the said proceedings are currently underway, therefore, tax exposure, if any, cannot be determined at this stage. Moreover, previously monitoring for tax year 2008 and 2009 was also taken by Regional Tax Office, Karachi but due to the transferring of Bank's jurisdiction to LTU by the Federal Board of Revenue (FBR) during such proceedings, the same has not been taken up again by LTU authorities as yet.

30. EARNINGS / (LOSS) PER SHARE - BASIC AND DILUTED

		2011	2010
Profit / (loss) for the year after taxation	Rupees in '000	**359,691**	(407,479)
Weighted average number of Ordinary shares outstanding during the year	Numbers	**858,615,404**	620,476,609
Earnings / (loss) per share - basic and diluted	Rupee	**0.42**	(0.66)

There is no dilution effect on basic earnings per share.

31. CASH AND CASH EQUIVALENTS

	2011	2010
	----Rupees in '000----	
Cash and balances with treasury banks	**3,880,688**	2,533,509
Balances with other banks	**136,880**	683,099
Overdrawn nostro account	**(1,560)**	(4,173)
	4,016,008	3,212,435

31.1 Non-cash transactions

During the year, the Bank acquired 51.05% shareholding of JS Global Capital Limited amounting to Rs. 1,323.812 million in a share-exchange arrangement. The issuance and acquisition of shares, being a non-cash financing and investing activity, is not reflected in the unconsolidated cash flow statement.

32. STAFF STRENGTH

	2011	2010
	--------Number-------	
Permanent	**952**	830
Temporary / on contractual basis	**23**	13
Bank's own staff strength at the end of the year	**975**	843
Outsourced	**498**	412
	1,473	1,255

33. DEFINED BENEFIT PLAN

33.1 General description

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

33.2 Number of employees under the schemes

The number of employees covered under the following defined benefit scheme is 952 (2010: 830).

33.3 Principal actuarial assumptions

The actuarial valuations were carried out on December 31, 2011 based on the Projected Unit Credit Method, using the following significant assumptions:

	2011	2010	Source of estimation
Discount rate	**12.50%**	14.00%	Yield on government bonds
Expected rate of salary increase	**12.50%**	14.00%	Linked to seniority, promotion, future salary increase and supply and demand in employment market.

	2011	2010
	----Rupees in '000----	
33.4 Reconciliation of payable to defined benefit plan		
Present value of defined benefit obligation	**61,399**	49,634
Net actuarial losses not recognised	**12,814**	8,860
Unrecognised transitional liability	**-**	(485)
Past service cost - non vested	**1,132**	-
	75,345	58,009
33.5 Movement in payable to defined benefit plan		
Opening net liability	**58,009**	36,288
Expense for the year	**17,336**	21,721
Benefits paid to employees	**-**	-
Closing net liability	**75,345**	58,009
33.6 Charge for defined benefit plan		
Current service cost	**22,304**	15,224
Interest cost	**6,949**	6,012
Transitional liability recognised	**485**	485
Curtailment gain	**(7,488)**	-
Acturial gain / loss recognised	**(1,917)**	-
Past service cost - vested	**(2,997)**	-
	17,336	21,721

		2011	2010	2009
		------------Rupees in '000------------		
33.7	**Three year data on plans and experience adjustments**			
	Present value of defined benefit obligation	**61,399**	49,634	36,247
	Experience adjustment on obligation - gain / (loss)	**7,488**	7,848	1,732

33.8 The Bank amortises transitional liability over a period of five years.

34. DEFINED CONTRIBUTION PLAN

The Bank operates a contributory provident fund scheme for all permanent employees. The employer and employee both contribute 10% of the basic salaries to the funded scheme every month. Number of employees covered under this plan are 952 (2010: 830). During the year, employees made a contribution of Rs.34.386 (2010: Rs.31.169) million to the fund. The Bank has also made a contribution of equal amount to the fund.

35. COMPENSATION OF DIRECTORS AND EXECUTIVES

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

	Note	2011			
		President	Director	Executives	Total
		------------Rupees in '000------------			
Managerial remuneration		**8,806**	**6,194**	**208,960**	**223,960**
Defined contribution plan		**-**	**619**	**18,442**	**19,061**
Charge for defined benefit plan		**-**	**514**	**16,372**	**16,886**
Rent and house maintenance		**3,963**	**2,787**	**94,032**	**100,782**
Utilities		**881**	**619**	**20,896**	**22,396**
Medical		**31**	**11**	**3,279**	**3,322**
Conveyance and vehicle maintenance		**923**	**461**	**37,081**	**38,465**
Bonus		**4,000**	**4,000**	**56,290**	**64,290**
		18,604	**15,205**	**455,352**	**489,162**
Number of persons		**1**	**1**	**200**	**202**

		2010			
		President	Director	Executives	Total
		------------Rupees in '000------------			
Managerial remuneration		8,620	6,194	178,161	192,975
Defined contribution plan		540	619	15,098	16,257
Charge for defined benefit plan		451	514	14,734	15,699
Rent and house maintenance		3,879	2,787	80,173	86,839
Utilities		862	619	17,816	19,297
Medical		21	19	2,829	2,869
Conveyance and vehicle maintenance		415	391	26,453	27,259
Bonus		-	5,000	18,026	23,026
		14,788	16,143	353,290	384,221
Number of persons	35.1	2	1	190	193

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

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments is based on quoted market price. Fair value of 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 40.3.4 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.

37. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

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

	2010						
	Corporate finance	Trading & sales	Retail banking	Commercial banking	Payment & settlement	Others	Total
	----------Rupees in '000----------						
Total income - external	7,347	1,867,293	310,082	1,361,480	26,267	-	3,572,469
Inter-segment revenues - net	-	(1,202,824)	1,818,300	(620,004)	-	4,528	-
Total income	7,347	664,469	2,128,382	741,476	26,267	4,528	3,572,469
Total expenses	(3,477)	(698,267)	(2,585,810)	(839,809)	(21,015)	(46,641)	(4,195,019)
Tax expense	-	-	-	-	-	-	(36,327)
Deferred tax	-	-	-	-	-	-	251,398
Net income / (loss)	3,870	(33,798)	(457,428)	(98,333)	5,252	(42,113)	(407,479)
Segment assets (gross)	-	20,291,070	1,233,122	13,018,121	-	5,368,758	39,911,071
Segment non performing loans	-	-	32,194	1,870,372	-	-	1,902,566
Segment provision required	-	-	19,197	508,227	-	-	527,424
Segment liabilities	-	4,970,556	21,107,614	6,153,952	369,620	943,619	33,545,361
Segment return on net assets (ROA) (%)	-	12.94	14.16	13.09	-	-	-
Segment cost of funds (%)	-	12.63	5.82	9.17	-	-	-

38. RELATED PARTY TRANSACTIONS

The Bank has related party relationship with its associates, parent, subsidiary, 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 subsidiary company and associate are stated in note 10.2.12 to these 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 company		Other related parties		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	(Rupees in '000)							
Advances								
Opening balance	**3,423**	36,709	**-**	-	**2,994,330**	1,451,187	**2,997,753**	1,487,896
Disbursements	**42,692**	1,600	**-**	-	**7,387,316**	35,826,430	**7,430,008**	35,828,030
Repayments	**(6,464)**	(34,886)	**-**	-	**(7,405,962)**	(34,283,287)	**(7,412,426)**	(34,318,173)
Balance as at December 31	**39,651**	3,423	**-**	-	**2,975,684**	2,994,330	**3,015,335**	2,997,753
Mark-up / return / interest earned	**3,480**	2,316	**2,400**	-	**401,684**	261,271	**407,564**	263,587

	Parent		Key management personnel		Subsidiary company		Other related parties		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	(Rupees in '000)									
Deposits										
Opening balance	**1,799**	63,228	**9,695**	24,175	**644,434**	-	**1,816,250**	1,085,217	**2,472,178**	1,172,620
Deposits during the year	**2,535,433**	183,216	**173,263**	184,573	**235,895,674**	-	**25,371,652**	179,664,485	**263,976,022**	180,032,274
Withdrawals during the year	**(1,976,414)**	(244,645)	**(171,964)**	(199,053)	**(235,623,892)**	-	**(24,410,008)**	(178,933,452)	**(262,182,278)**	(179,377,150)
Balance as at December 31	**560,818**	1,799	**10,994**	9,695	**916,216**	-	**2,777,894**	1,816,250	**4,265,922**	1,827,744
Mark-up / return / interest expensed	**11,268**	360	**139**	381	**52,212**	31,163	**134,699**	86,292	**198,318**	118,196

The related party status of outstanding receivables and payables as at December 31, 2011 is included in respective notes to the financial statements. Material transactions with related parties are given below:

Nature of transactions	Subsidiary company 2011	Subsidiary company 2010	Companies having common directorship 2011	Companies having common directorship 2010	Companies in which parent company holds 20% or more 2011	Companies in which parent company holds 20% or more 2010	Other related parties 2011	Other related parties 2010	Total 2011	Total 2010
	(Rupees in '000)									
Sale of Term Finance Certificates	**131,587**	-	**-**	218,013	**-**	213,649	**41,419**	-	**173,006**	431,662
Purchase of Term Finance Certificates	**403,592**	-	**-**	-	**-**	231,901	**-**	-	**403,592**	231,901
Sale of Government Securities	**23,006,598**	-	**24,072,927**	6,302,097	**1,288,844**	9,784,282	**186,729**	26,199	**48,555,098**	16,112,578
Purchase of Government Securities	**23,987,177**	-	**1,225,435**	519,974	**1,938**	4,632,927	**-**	-	**25,214,550**	5,152,901
Purchase of Sukuk	**49,286**	-	**-**	-	**-**	-	**-**	-	**49,286**	-
Sale of Sukuk / Ijara	**18,637**	-	**104,448**	35,000	**-**	-	**-**	-	**123,085**	35,000
Sale of shares / Units	**-**	-	**-**	-	**377,160**	310,286	**-**	53,748	**377,160**	364,034
Purchase of shares / Units	**-**	-	**-**	-	**737,670**	200,000	**-**	-	**737,670**	200,000
Subscription in right shares	**-**	-	**22,560**	-	**-**	-	**127,374**	-	**149,934**	-
Purchase of fixed assets	**-**	-	**-**	-	**-**	37	**-**	-	**-**	37
Rent Receivable	**881**	-	**-**	-	**966**	-	**-**	-	**1,847**	-
Call lending / Reverse Repo	**2,023,823**	-	**-**	-	**1,705,000**	3,515,000	**-**	-	**3,728,823**	3,515,000
Call borrowing / Repo	**-**	-	**-**	-	**14,850,000**	5,985,000	**-**	-	**14,850,000**	5,985,000
Purchase of forward foreign exchange contracts	**-**	-	**-**	-	**4,946,891**	4,357,771	**-**	-	**4,946,891**	4,357,771
Sale of forward foreign exchange contracts	**-**	-	**-**	-	**6,506,439**	4,818,193	**-**	-	**6,506,439**	4,818,193
Goods purchased	**-**	-	**-**	-	**-**	-	**119**	-	**119**	-
Redemption of Term Finance Certificate	**-**	-	**-**	-	**-**	12,048	**-**	-	**-**	12,048
Insurance claim received	**-**	-	**10,937**	4,181	**-**	-	**8**	-	**10,945**	4,181
Services received	**-**	-	**-**	200	**-**	-	**-**	853	**-**	1,053
Reimbursement of expenses	**1,163**	-	**35**	-	**-**	3,849	**-**	-	**1,198**	3,849
Payment of insurance premium	**-**	-	**30,791**	27,688	**-**	-	**-**	-	**30,791**	27,688
Services rendered	**758**	-	**-**	25	**822**	44	**-**	-	**1,580**	69
Underwritten commission paid	**-**	-	**-**	3,033	**-**	-	**-**	-	**-**	3,033
Redemption of Units	**-**	-	**-**	-	**164,267**	-	**-**	-	**164,267**	-
Rent expense paid / accrued	**1,031**	-	**-**	-	**-**	2,255	**-**	-	**1,031**	2,255
Commission paid / accrued	**2,101**	-	**-**	-	**-**	2,996	**-**	-	**2,101**	2,996
Commission income	**2,849**	-	**70,441**	43,070	**1,773**	3,943	**3,533**	5,747	**78,596**	52,760
Dividend income	**-**	-	**-**	-	**6,096**	5,083	**-**	-	**6,096**	5,083
Consultancy fee	**-**	-	**-**	-	**-**	-	**2,800**	2,486	**2,800**	2,486

Nature of transactions	Parent company 2011	Parent company 2010
	----Rupees in '000----	
Subscription in right shares	**1,127,233**	391,211
Purchase of Government Securities	**597,478**	-
Rent expense paid / accrued	**550**	-
Reimbursement of expenses	**45**	-
Purchase of fixed assets	-	95
	1,725,306	391,306

39. CAPITAL ASSESSMENT AND ADEQUACY

39.1 Scope of Application

Basel II Framework is applicable to the Bank both at consolidated level (comprising of partly owned subsidiary - JS Global Capital Limted) and also on stand alone basis.

39.2 Capital Structure

Bank's regulatory capital is analyzed into two tiers:

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

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

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

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

	2011	2010
	----Rupees in '000----	
Tier I Capital		
Shareholders equity / assigned capital	**10,002,930**	8,149,715
Reserves	**89,978**	18,040
Discount on issue of right shares	**(1,944,880)**	(1,415,477)
Balance in Share Premium Account	**-**	-
Accumulated losses	**(642,918)**	(930,671)
	7,505,110	5,821,607
Less: Goodwill, other intangible assets and deficit on account of revaluation of available for sale portfolio etc.	**1,606,795**	1,600,146
Shortfall in provisions required against classified assets irrespective of any relaxation allowed.	**-**	522,994
Deficit on account of revaluation of investments held in AFS category	**43,200**	-
Other deductions (50% of investments in equity and other regulatory capital of majority owned securities or other financial subsidiaries not consolidated in statement of financial position)	**678,965**	-
	2,328,960	2,123,140
Total Tier I Capital	**5,176,150**	3,698,467
Tier II Capital		
General Provisions subject to 1.25% of Total Risk Weighted Assets	**1,083**	2,060
Revaluation Reserve (upto 45%)	**-**	11,547
	1,083	13,607

	2011	2010
	----Rupees in '000----	
Less: Other deductions (50% of investments in equity and other regulatory capital of majority owned securities or other financial subsidiaries not consolidated in statement of financial position)	678,965	-
Total Tier II Capital	(677,882)	13,607
Eligible Tier III Capital	-	-
Total Regulatory Capital Base	4,498,268	3,712,074

39.3 Capital Adequacy

Capital Management

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

Statutory minimum capital requirement and management of capital

The State Bank of Pakistan through its BSD Circular No. 07 dated April 15, 2009 requires the minimum paid up capital (net of losses) for Banks / Development Finance Institutions (DFIs) to be raised to Rs.10 billion by the year ending December 31, 2013. This increase in capital is to be achieved in a phased manner requiring Rs.8 billion paid up capital (net of losses) by the end of the financial year 2011.

The paid up capital (net of losses) of the Bank as at December 31, 2011 stood at Rs.7.415 billion. The Bank plans to meet the shortfall in equity capital through further issuance of shares as disclosed in note 1.3

In addition, the Bank was also required to maintain a minimum Capital Adequacy Ratio (CAR) of 10% of the risk weighted exposure of the Bank. Bank's CAR as at December 31, 2011 was 16.13% of its risk weighted exposures.

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

39.4 Risk Weighted Exposures

	Capital requirements		Risk weighted assets	
	2011	2010	2011	2010
	---------------- Rupees in '000 ----------------			
CREDIT RISK				
Portfolios subject to standardized approach				
Corporate	1,441,636	1,167,559	14,416,359	11,675,589
Retail	32,069	18,857	320,693	188,572
Banks and DFIs	70,644	82,299	706,443	822,988
Public sector entity	-	767	-	7,668
Sovereign (include GoP and SBP)	-	-	-	-
Residential mortgage finance	7,815	5,634	78,148	56,337
Past due loans	325,095	90,101	3,250,950	901,006
Fixed assets	141,464	128,280	1,414,644	1,282,795
Other assets	133,163	139,431	1,331,634	1,394,313
Off balance sheet - non market related	163,433	127,593	1,634,325	1,275,927
Off balance sheet - market related	1,326	1,489	13,263	14,890

	Capital requirements		Risk weighted assets	
	2011	2010	2011	2010
	------------------ Rupees in '000 ------------------			
Equity Exposure Risk in the Banking Book	**86,702**	95,218	**867,017**	952,176
MARKET RISK				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	**55,321**	9,927	**691,513**	124,088
Equity position risk	**16,010**	-	**200,125**	-
Foreign exchange risk	**2,789**	27,812	**34,866**	347,650
OPERATIONAL RISK				
Capital Requirement for operational risks	**234,052**	160,252	**2,925,648**	2,003,145
Total	**2,711,519**	2,055,219	**27,885,628**	21,047,144

Capital Adequacy Ratio

		2011	2010
Total eligible regulatory capital held	(a)	**4,498,268**	3,712,074
Total risk weighted assets	(b)	**27,885,628**	21,047,144
Capital adequacy ratio	(a) / (b)	**16.13%**	17.64%

40. RISK MANAGEMENT

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

a) The individuals who take or manage risks, clearly understand it;

b) The Bank's Risk exposure is within the limits established by Board of Directors (BoD);

c) Risk taking decisions are in line with the business strategy and objectives set by BoD;

d) The expected payoffs compensate for the risks taken;

e) Risk taking decisions are explicit and clear;

f) Sufficient capital as a buffer is available to take risk; and

g) Risk management function is independent of risk taking unit.

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

Risk management framework of Bank includes:

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

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

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

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

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

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

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

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

- Asset - Liability Committee which comprises of the President / CEO, Treasurer, Group Head Risk Management, Other Business Heads.

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

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

a) Credit Risk Management (CRM) including both Corporate / Commercial and Retail Banking 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 Implementation

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

Risk 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.

40.1 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) at head office. 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.

40.1.1 Segmental Information

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

40.1.1.1 Segment by class of business

	2011					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent %	Rupees in '000	Percent %	Rupees in '000	Percent %
Mining and quarrying	462,190	2.49	30,904	0.07	95	-
Textile	3,654,453	19.72	304,080	0.73	1,031,700	12.90
Chemical and pharmaceuticals	2,091,210	11.28	799,950	1.93	958,123	11.98
Fertilizer	-	-	-	-	369,041	4.61
Automobile and transportation equipment	100,326	0.54	50,890	0.12	125,163	1.56
Electronics and electrical appliances	286,129	1.54	101,613	0.24	151,855	1.90
Construction	68,602	0.37	267,540	0.64	52,710	0.66
Power, gas, water and sanitary	9,920	0.05	60,836	0.15	217,520	2.72
Paper / board / furniture	9,908	0.05	1,165	-	99,382	1.24
Petroleum / oil and gas	-	-	-	-	136,477	1.71
Food / confectionery / beverages	1,915,471	10.34	110,031	0.27	297,318	3.72
Trust and non-profit organisations	11,024	0.06	4,263,356	10.28	12,073	0.15
Wholesale and retail trade	114,804	0.62	791,602	1.91	-	-
Transport, storage and communication	664,974	3.59	592,877	1.43	9,894	0.12
Financial	851,907	4.60	3,988,421	9.61	3,864,843	48.32
Insurance	25,006	0.13	452,724	1.09	-	-
Services	134,760	0.73	602,065	1.45	770	0.01
Cement	19,863	0.11	119,003	0.29	-	-
Sugar	1,710,774	9.23	29,476	0.07	165,000	2.06
Individuals	2,600,338	14.03	24,666,794	59.46	16,526	0.21
Others	3,800,868	20.52	4,253,704	10.26	489,734	6.13
	18,532,527	100	41,487,031	100	7,998,224	100

	2010					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent %	Rupees in '000	Percent %	Rupees in '000	Percent %
Mining and quarrying	527,543	3.64	153,628	0.58	96	-
Textile	1,645,174	11.34	191,026	0.73	457,312	5.79
Chemical and pharmaceuticals	2,063,043	14.22	30,750	0.12	493,805	6.25
Fertilizer	-	-	-	-	266,134	3.37
Automobile and transportation equipment	175,135	1.21	52,214	0.20	62,208	0.79
Electronics and electrical appliances	219,674	1.51	190,864	0.73	83,383	1.06
Construction	20,783	0.14	115,023	0.44	179,728	2.28
Power, gas, water and sanitary	352,160	2.43	155,280	0.59	52,149	0.66
Paper / board / furniture	-	-	2,249	0.01	196,880	2.49
Petroleum / oil and gas	-	-	-	-	60,250	0.76
Food / confectionery / beverages	1,334,238	9.20	31,431	0.12	247,626	3.13
Trust and non-profit organisations	22,414	0.15	4,087,958	15.56	12,073	0.15
Wholesale and retail trade	246,250	1.70	-	-	-	-
Transport, storage and communication	455,032	3.14	493,188	1.88	11,000	0.14
Financial	1,296,546	8.94	2,362,963	8.99	5,569,615	70.51
Insurance	100,000	0.69	144,307	0.55	-	-
Services	-	-	-	-	771	0.01
Cement	305,394	2.11	13,928	0.05	-	-
Sugar	1,212,107	8.36	3,229	0.01	-	-
Individuals	2,428,836	16.74	15,357,866	58.45	32,687	0.41
Others	2,101,208	14.48	2,890,424	10.99	173,057	2.20
	14,505,537	100	26,276,328	100	7,898,774	100

40.1.1.2 Segment by sector

2011

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

2010

	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent %	Rupees in '000	Percent %	Rupees in '000	Percent %
Public / Government	150,000	1.03	1,098,935	4.18	540,390	6.84
Private	14,355,537	98.97	25,177,393	95.82	7,358,384	93.16
	14,505,537	100	26,276,328	100	7,898,774	100

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

	2011		2010	
	Classified advances	Specific provisions held	Classified advances	Specific Provisions held
	------------------- Rupees in '000 -------------------			
Textile	636,842	96,273	535,634	97,364
Automobile and transportation equipment	56,895	26,058	56,895	26,058
Electronics and electrical appliances	-	-	-	-
Chemical and pharmaceutical	1,261,984	-	561,000	-
Wholesale and retail trade	-	-	155,894	105,106
Financial	185,575	81,087	187,823	10,800
Individuals	248,756	8,237	57,345	20,855
Other	386,843	301,011	347,975	265,181
	2,776,895	512,666	1,902,566	525,364

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

Public / Government	-	-	-	-
Private	2,776,895	512,666	1,902,566	525,364
	2,776,895	512,666	1,902,566	525,364

40.1.1.5 Geographical segment analysis

	2011		2010	
	Total assets employed	Net assets employed	Total assets employed	Net assets employed
	---------- Rupees in '000 ----------			
Pakistan	**53,920,569**	**7,477,030**	39,383,647	5,838,286

	2011		2010	
	Profit before taxation	Contingencies and commitments	(Loss) before taxation	Contingencies and commitments
	---------- Rupees in '000 ----------			
Pakistan	**535,752**	**7,998,224**	(622,550)	7,898,774

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

40.1.2.1 Credit exposures and comparative figures subject to the standardised approach

Exposures	Rating category No.	Rating risk weighted	Amount outstanding	Deduction CRM*	Net amount	Risk weighted asset
			2011			
			———— Rupees in '000 ————			
Cash and Cash Equivalents		0%	1,007,358	-	1,007,358	-
Corporate	0	0%	-	728,903	728,903	-
	1	20%	2,661,580	(141,982)	2,519,598	503,920
	2	50%	1,134,837	(200,103)	934,734	467,367
	3,4	100%	567,137	-	567,137	567,137
	5,6	150%	299,740	-	299,740	449,610
	Unrated	100%	12,815,143	(386,818)	12,428,325	12,428,325
			17,478,437	-	17,478,437	14,416,359
Retail		0%	-	721,446	721,446	-
		20%	-	20,718	20,718	4,144
		50%	-	-	-	-
		75%	1,164,229	(742,164)	422,065	316,549
			1,164,229	-	1,164,229	320,693
Banks						
- Maturity over 3 Months		0%	-	-	-	-
	1	20%	450,678	-	450,678	90,136
	2,3	50%	287,204	-	287,204	143,602
	4,5	100%	41,389	-	41,389	41,389
	6	150%	-	-	-	-
	Unrated	50%	60,133	-	60,133	30,067
			839,404	-	839,404	305,194
- Maturity Upto and under 3 Months in FCY		0%	-	-	-	-
	1,2,3	20%	49,716	-	49,716	9,943
	4,5	50%	-	-	-	-
	6	150%	-	-	-	-
	unrated	20%	32,899	-	32,899	6,580
			82,615	-	82,615	16,523
- Maturity Upto and under 3 Months in PKR		0%	-	1,407,455	1,407,455	-
		20%	3,331,085	(1,407,455)	1,923,630	384,726
			3,331,085	-	3,331,085	384,726
Residential Mortgage Finance		35%	223,280	-	223,280	78,148
Public Sector Entity						
		0%				
	1	20%	-	-	-	-
	2,3	50%	-	-	-	-
	4,5	100%	-	-	-	-
	6	150%	-	-	-	-
	Unrated	50%	-	-	-	-
			-	-	-	-
Sovereigns (SBP / GoP)		0%	14,937,007	-	14,937,007	-
Equity Investments - Listed		100%	738,212	-	738,212	738,212
- Unlisted		150%	85,870	-	85,870	128,805
			824,082	-	824,082	867,017
"Past Due Loans (Not Secured by Residential Mortgages)"	S.P less than 20%	150%	2,057,347	-	2,057,347	3,086,021
	S.P upto 20%	100%	122,974	-	122,974	122,974
	S.P greater than 50%	50%	83,909	-	83,909	41,955
			2,264,230	-	2,264,230	3,250,950
Investment in fixed assets		100%	1,414,644	-	1,414,644	1,414,644
Other assets		100%	1,331,634	-	1,331,634	1,331,634
Total			44,898,005	-	44,898,005	22,385,888

* Credit Risk Mitigation (CRM)

Exposures	Rating category No.	Rating risk weighted	2010 Amount outstanding	Deduction CRM*	Net amount	Risk weighted asset
			---------- Rupees in '000 ----------			
Cash and Cash Equivalents		0%	629,909	-	629,909	-
Corporate	0	0%	-	554,968	554,968	-
	1	20%	2,861,246	(43,749)	2,817,497	563,499
	2	50%	1,149,964	(34,307)	1,115,657	557,829
	3,4	100%	-	70,048	70,048	70,048
	5,6	150%	1,206,923	(70,048)	1,136,875	1,705,313
	Unrated	100%	9,255,813	(476,912)	8,778,901	8,778,901
			14,473,946	-	14,473,946	11,675,589
Retail		0%	-	184,774	184,774	-
		20%	-	3,996	3,996	799
		50%	-	-	-	-
		75%	439,133	(188,770)	250,363	187,772
			439,133	-	439,133	188,571
Banks						
- Maturity over 3 Months		0%	-	-	-	-
	1	20%	2,210,214	-	2,210,214	442,043
	2,3	50%	109,217	-	109,217	54,609
	4,5	100%	-	-	-	-
	6	150%	-	-	-	-
	Unrated	50%	-	-	-	-
			2,319,431	-	2,319,431	496,651
- Maturity Upto and under 3 Months in FCY		0%	-	-	-	-
	1,2,3	20%	62,618	-	62,618	12,524
	4,5	50%	1,293	-	1,293	647
	6	150%	-	-	-	-
	unrated	20%	556,518	-	556,518	111,304
			620,429	-	620,429	124,474
- Maturity upto and under 3 months in PKR		0%	-	585,717	585,717	-
		20%	1,595,033	(585,717)	1,009,316	201,863
			1,595,033	-	1,595,033	201,863
Residential Mortgage Finance		35%	160,963	-	160,963	56,337
Public Sector Entity		0%	-			
	1	20%	-	-	-	-
	2,3	50%	-	-	-	-
	4,5	100%	-	-	-	-
	6	150%	-	-	-	-
	Unrated	50%	15,336	-	15,336	7,668
			15,336	-	15,336	7,668
Sovereigns (SBP / GoP)		0%	11,181,777	-	11,181,777	-
Equity Investments - Listed		100%	876,457	-	876,457	876,457
- Unlisted		150%	50,479	-	50,479	75,719
			926,936	-	926,936	952,176
"Past Due Loans						
(Not Secured by Residential Mortgages)"	S.P less than 20%	150%	220,374	-	220,374	330,561
	S.P upto 20%	100%	507,163	-	507,163	507,163
	S.P greater than 50%	50%	126,566	-	126,566	63,283
			854,103	-	854,103	901,007
Investment in fixed assets		100%	1,282,795	-	1,282,795	1,282,795
Other assets		100%	1,394,313	-	1,394,313	1,394,313
Total			35,894,104	-	35,894,104	17,281,445

* Credit Risk Mitigation (CRM)

40.1.2.2 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 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.

40.2 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 sector / 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.

40.3 Market risk

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

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

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

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

Risk reporting undertaken by the market risk function includes:

a) Stress testing of the market portfolio; and
b) Limit monitoring reports

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

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

- Factor sensitivities
- Stress testing

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

40.3.2 Foreign exchange risk

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

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

Foreign exchange open and mismatched positions are marked to 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.

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

	2010			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	---------------------- Rupees in '000 ----------------------			
Pakistan Rupee	37,818,102	31,286,077	(994,167)	5,537,858
United States Dollar	1,479,037	1,882,928	702,478	298,587
Great Britain Pound	45,392	178,134	132,728	(14)
Euro	38,280	197,845	159,066	(500)
Other currencies	2,836	377	(105)	2,355
	1,565,545	2,259,284	994,167	300,428
	39,383,647	33,545,361	-	5,838,286

40.3.3 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.

40.3.4 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.

	2011											
	Effective yield interest rate %	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Non-interest bearing financial instrument
			-----	-----	-----	-----	Rupees in '000	-----	-----	-----	-----	
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	3,880,688	426,245	-	-	-	-	-	-	-	-	3,454,443
Balances with other banks	-	136,881	22,957	-	-	-	-	-	-	-	-	113,924
Lendings to financial institutions	1.5-14.79	4,073,103	3,086,103	658,333	318,667	2,000	2,000	6,000	-	-	-	-
Investments	5.75-16.50	21,291,895	662,430	632,951	1,280,921	3,005,182	9,155,101	309,837	3,497,192	2,323,611	-	424,670
Advances	4.25-18.50	18,018,778	6,153,222	9,002,296	2,022,609	570,808	128,913	42,496	65,370	33,064	-	-
Other assets	-	842,164	-	-	-	-	-	-	-	-	-	842,164
		48,243,509	10,350,957	10,293,580	3,622,197	3,577,990	9,286,014	358,333	3,562,562	2,356,675	-	4,835,201
Liabilities												
Bills payable	-	1,246,994	-	-	-	-	-	-	-	-	-	1,246,994
Borrowings	10.0-11.9	2,944,495	1,821,495	549,500	573,500	-	-	-	-	-	-	-
Deposits and other accounts	5.0-14.70	41,487,031	21,051,317	4,395,876	1,392,336	1,337,911	1,808,212	28,647	8,200	1,150	-	11,463,382
Other liabilities	-	754,751	-	-	-	-	-	-	-	-	-	754,751
		46,433,271	22,872,812	4,945,376	1,965,836	1,337,911	1,808,212	28,647	8,200	1,150	-	13,465,127
On-balance sheet financial instruments		1,810,238	(12,521,855)	5,348,204	1,656,361	2,240,079	7,477,802	329,686	3,554,362	2,355,525	-	(8,629,926)
Forward lendings		-	-	-	-	-	-	-	-	-	-	-
Forward borrowings		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap			(12,521,855)	5,348,204	1,656,361	2,240,079	7,477,802	329,686	3,554,362	2,355,525	-	-
Cumulative yield / interest risk sensitivity gap			(12,521,855)	(7,173,651)	(5,517,290)	(3,277,211)	4,200,591	4,530,277	8,084,639	10,440,164	10,440,164	-

	2010											
	Effective yield interest rate %	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Non-interest bearing financial instrument
			Rupees in '000									
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	2,533,509	561,674	-	-	-	-	-	-	-	-	1,971,835
Balances with other banks	0-2.75	683,099	66,181	279,117	-	-	-	-	-	-	-	337,801
Lendings to financial institutions	13.15-14.84	3,643,360	2,131,579	1,111,781	-	-	-	400,000	-	-	-	-
Investments	2.95-16.26	13,701,699	1,777,353	3,537,599	4,672,789	8,280	87,478	868,940	1,283,967	859,547	-	605,746
Advances	2.84-24.09	13,978,113	7,610,858	487,192	2,621,020	862,084	912,098	1,160,704	165,237	2,233	156,687	-
Other assets	-	712,359	-	-	-	-	-	-	-	-	-	712,359
		35,252,139	12,147,645	5,415,689	7,293,809	870,364	999,576	2,429,644	1,449,204	861,780	156,687	3,627,741
Liabilities												
Bills payable	-	369,620	-	-	-	-	-	-	-	-	-	369,620
Borrowings	9.0-13.35	5,524,410	3,458,852	1,748,645	312,740	-	-	-	-	-	-	4,173
Deposits and other accounts	5.10-15.25	26,276,328	14,210,331	2,748,178	1,042,227	1,239,076	8,590	12,000	9,764	-	-	7,006,162
Other liabilities	-	1,365,670	-	-	-	-	-	-	-	-	-	1,365,670
		33,536,028	17,669,183	4,496,823	1,354,967	1,239,076	8,590	12,000	9,764	-	-	8,745,625
On-balance sheet financial instruments		1,716,111	(5,521,538)	918,866	5,938,842	(368,712)	990,986	2,417,644	1,439,440	861,780	156,687	(5,117,884)
Forward lendings		-	-	-	-	-	-	-	-	-	-	-
Forward borrowings		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap			(5,521,538)	918,866	5,938,842	(368,712)	990,986	2,417,644	1,439,440	861,780	156,687	-
Cumulative yield / interest risk sensitivity gap			(5,521,538)	(4,602,672)	1,336,170	967,458	1,958,444	4,376,088	5,815,528	6,677,308	6,833,995	-

	2011	2010
	Rupees in '000	
Reconciliation to total assets		
Balance as per balance sheet	**53,920,569**	39,383,647
Less: Non financial assets		
Investments	**1,357,929**	-
Operating fixed assets	**3,021,439**	2,882,941
Deferred tax assets	**1,082,466**	1,184,613
Other assets	**215,226**	63,954
	5,677,060	4,131,508
	49,243,509	35,252,139

	2011	2010
	Rupees in '000	
Reconciliation to total liabilities		
Balance as per balance sheet	**46,443,539**	33,545,361
Less: Non financial liabilities		
Government duties	**10,268**	9,333
	46,433,271	33,536,028

40.4 Liquidity risk

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

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

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

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

Maturity of assets and liabilities

	2011									
	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	Rupees in '000									
Assets										
Cash and balances with treasury banks	3,880,688	3,880,688	-	-	-	-	-	-	-	-
Balances with other banks	136,880	136,880	-	-	-	-	-	-	-	-
Lendings to financial institutions	4,073,103	760,590	450,000	429,858	1,580,296	537,000	199,947	-	47,252	68,160
Investments	22,649,824	660,816	18,480	73,820	12,246,324	946,904	3,537,133	2,275,128	2,802,075	89,143
Advances	18,018,778	2,931,332	3,008,368	2,497,792	7,127,068	516,434	735,574	975,645	4,277	222,288
Other assets	1,057,391	742,012	33,351	42,073	222,406	8,531	819	810	-	7,389
Operating fixed assets	3,021,439	36,730	37,487	53,792	102,115	188,926	174,194	306,060	240,417	1,881,719
Deferred tax assets	1,082,466	-	-	-	-	-	-	1,082,466	-	-
	53,920,569	9,149,048	3,547,686	3,097,335	21,278,209	2,197,795	4,647,667	4,640,109	3,094,020	2,268,700
Liabilities										
Bills payable	1,246,994	1,246,994	-	-	-	-	-	-	-	-
Borrowings	2,944,495	1,821,495	549,500	573,500	-	-	-	-	-	-
Deposits and other accounts	41,487,031	12,209,213	9,442,515	3,570,109	4,219,083	19,975	12,024,787	1,350	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	765,019	645,799	-	-	-	75,345	-	43,875	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
	46,443,539	15,923,501	9,992,015	4,143,609	4,219,083	95,320	12,024,787	45,225	-	-
Net assets	7,477,030	(6,774,453)	(6,444,329)	(1,046,274)	17,059,126	2,102,475	(7,377,120)	4,594,884	3,094,020	2,268,700
Share capital	10,002,930									
tatutory reserve	89,978									
Discount on issue of right shares	(1,944,880)									
Accumulated losses	(642,918)									
Surplus on revaluation of assets - net	(28,080)									
	7,477,030									

The expected maturity dates do not differ significantly from the contract date except for the maturity of Rs.12.02 (2010: Rs.7.59) billion of deposits representing retail deposit accounts being considered stable core source of funding by the Bank.

	2010									
	Total	Up to1 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	2,533,509	2,533,509	-	-	-	-	-	-	-	-
Balances with other banks	683,099	403,982	279,117	-	-	-	-	-	-	-
Lending to financial institutions	3,643,360	2,131,579	1,111,781	-	-	-	400,000	-	-	-
Investments	13,701,699	2,383,099	3,537,599	4,672,789	8,280	87,478	868,940	1,283,967	859,547	-
Advances	13,978,113	7,610,858	487,192	2,621,020	862,084	912,098	1,160,704	165,237	2,233	156,687
Other assets	776,313	601,695	31,645	31,135	92,472	18,181	1,176	9	-	-
Operating fixed assets	2,882,941	28,795	38,265	56,766	106,152	172,961	147,800	262,464	309,997	1,759,741
Deferred tax assets	1,184,613	-	-	-	-	-	-	1,184,613	-	-
	39,383,647	15,693,517	5,485,599	7,381,710	1,068,988	1,190,718	2,578,620	2,896,290	1,171,777	1,916,428
Liabilities										
Bills payable	369,620	369,620	-	-	-	-	-	-	-	-
Borrowings	5,524,410	3,463,025	1,748,645	312,740	-	-	-	-	-	-
Deposits and other accounts	26,276,328	21,216,493	2,748,178	1,042,227	1,239,076	8,590	12,000	9,764	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	1,375,003	1,307,892	-	-	-	58,009	-	9,102	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
	33,545,361	26,357,030	4,496,823	1,354,967	1,239,076	66,599	12,000	18,866	-	-
Net assets	5,838,286	(10,663,513)	988,776	6,026,743	(170,088)	1,124,119	2,566,620	2,877,424	1,171,777	1,916,428
Share capital	8,149,715									
Statutory reserve	18,040									
Discount on issue of right shares	(1,415,477)									
Accumulated losses	(930,671)									
Surplus on revaluation of assets - net	16,679									
	5,838,286									

The expected maturity dates do not differ significantly from the contract date except for the maturity of Rs. 7.59 (2010: Rs. 5.41) billion of deposits representing retail deposit accounts being considered stable core source of funding by the Bank.

40.5 Operational risk

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

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

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

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

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

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

41. RECLASSIFICATIONS

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

Statement	Component	Reclassification from	Reclassification to	(Rupees in '000)
Statement of financial position	Assets	Balances with other banks	Cash and balances with treasury banks	234,703

The above reclassification does not affect the retained earnings and other equity components for the prior period presented.

42. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on February 27, 2012.

43. GENERAL

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

Jahangir Siddiqui **Chairman**	**Kalim-ur-Rahman** **President/Chief Executive Officer**	**Rafique R. Bhimjee** **Director**	**Mazharul Haq Siddiqui** **Director**

Consolidated Financial Statements

Deloitte.

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Independent Auditors' Report to the Members

We have audited the annexed consolidated financial statements of JS Bank Limited which comprise consolidated statement of financial position as at December 31, 2011 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. These consolidated financial statements include unaudited certified returns from the branches, except for 4 branches, which have been audited by us. The condensed interim financial information of subsidiary JS Global Capital Limited was reviewed by us in accordance with the International Standard on Review Engagements 2410.

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

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

In our opinion the consolidated financial statements present fairly, in all material respects, the financial position of JS Bank Limited as at December 31, 2011 and the results of its operations, its comprehensive income, its cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

We draw attention to the following matters:

1.) Note 1.3 to the accompanying consolidated financial statements wherein management has explained the plans of the Bank to meet the minimum capital requirements as prescribed by the State Bank of Pakistan as the Bank does not meet the minimum capital requirements currently.; and

2.) Notes 12.3.3 and 13.2 to the accompanying consolidated financial statements relating to goodwill and deferred tax asset of the parent respectively wherein management has described the assumptions which it has used in determining the value in use of cash generating unit to which the goodwill was allocated for impairment testing and determining recoverability of deferred tax assets respectively. There is an inherent uncertainty in the assumptions which depend on future events.

In respect of the matters described in paragraphs (1) and (2), our opinion is not qualified.

The financial statements of the Bank for the year ended December 31, 2010 were audited by another firm of chartered accountants who through their report dated March 5, 2011 expressed an unqualified opinion thereon. However, the report contained the emphasis of matter paragraph regarding minimum capital requirements as prescribed by the SBP which were not met and also included the emphasis of paragraph regarding impact, if any, on carrying amounts of the goodwill and the deferred tax assets due to uncertainty involved in the assumptions which were used in preparing financial projections for assessment of the impairment of the goodwill and the recoverability of the deferred tax assets. Since both matters are relevant to the current year also, we have reported them in paragraphs (1) and (2) above.

The condensed interim financial information of the Subsidiary for the half year ended December 31, 2010 and the financial statements of the Subsidiary for the year ended June 30, 2011 were reviewed and audited by another firm of chartered accountants who through their reports dated February 22, 2011 and September 05, 2011 expressed an unqualified conclusion and opinion thereon respectively.

M. Yousuf Adil Saleem & Co

Chartered accountants

Engagement Partner:
Nadeem Yousuf Adil

Karachi.
Date: February 27, 2012

Consolidated Statement of Financial Position

As at December 31, 2011

	Note	2011	2010
		----Rupees in '000----	
ASSETS			
Cash and balances with treasury banks	8	**3,880,782**	2,533,509
Balances with other banks	9	**165,067**	683,099
Lendings to financial institutions	10	**3,803,022**	3,643,360
Investments - net	11	**22,906,646**	13,701,699
Advances - net	12	**18,029,884**	13,978,113
Operating fixed assets	13	**3,064,883**	2,882,941
Deferred tax assets	14	**1,228,756**	1,184,613
Other assets	15	**1,423,585**	776,313
		54,502,625	39,383,647
LIABILITIES			
Bills payable	16	**1,246,994**	369,620
Borrowings	17	**3,171,800**	5,524,410
Deposits and other accounts	18	**40,174,351**	26,276,328
Sub-ordinated loans		**-**	-
Liabilities against assets subject to finance lease		**-**	-
Deferred tax liabilities		**-**	-
Other liabilities	19	**1,128,444**	1,375,003
		45,721,589	33,545,361
NET ASSETS		**8,781,036**	5,838,286
REPRESENTED BY :			
Share capital	20	**10,002,930**	8,149,715
Reserves		**89,978**	18,040
Discount on issue of shares		**(1,944,880)**	(1,415,477)
Non-controlling interest		**1,303,146**	-
Accumulated loss		**(642,058)**	(930,671)
		8,809,116	5,821,607
(Deficit) / surplus on revaluation of assets - net of tax	21	**(28,080)**	16,679
		8,781,036	5,838,286
CONTINGENCIES AND COMMITMENTS	22		

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

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

Consolidated Profit & Loss Account

FOR THE YEAR ENDED DECEMBER 31, 2011

	Note	2011	2010
		----Rupees in '000----	
Mark-up / return / interest earned	24	**4,319,252**	3,299,767
Mark-up / return / interest expensed	25	**2,583,678**	2,255,014
Net Mark-up / Interest income		**1,735,574**	1,044,753
(Reversal) of / provision against non-performing advances - net	12.4	**(13,675)**	50,194
(Reversal) of provision for diminution in the value of investments	11.3	**(137,524)**	86,290
Bad debts written off directly		**-**	-
		(151,199)	136,484
Net mark-up / interest income after provisions		**1,886,773**	908,269
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income	26	**355,297**	196,215
Dividend income		**20,620**	22,483
Income from dealing in foreign currencies		**98,738**	60,667
Gain on sale of securities - net	27	**247,872**	48,838
Unrealised (loss) / gain on revaluation of investments classified as held-for-trading		**(4,222)**	840
Share of profit from associate - net of tax	11.2.12	**34,118**	-
Other income		**17,514**	3,931
Total non mark-up / interest income		**769,937**	332,974
		2,656,710	1,241,243
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	28	**2,111,534**	1,846,840
Other provisions / write offs		**-**	-
Fixed assets written off		**-**	16,267
Other charges	29	**7,840**	686
Total non-mark-up / interest expenses		**2,119,374**	1,863,793
		537,336	(622,550)
Extra ordinary / unusual items		**-**	**-**
PROFIT / (LOSS) BEFORE TAXATION		**537,336**	(622,550)
Taxation - Current	30	**(49,443)**	(36,327)
- Prior years		**-**	**-**
- Deferred		**(126,248)**	251,398
		(175,691)	215,071
PROFIT / (LOSS) AFTER TAXATION		**361,645**	(407,479)
Attributable to :			
Equity holders of the Bank		**360,551**	-
Non-controlling interest		**1,094**	-
		361,645	-
		------- Rupees --------	
Earnings / (loss) per share - basic and diluted	31	**0.42**	(0.66)

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

Jahangir Siddiqui **Chairman**	**Kalim-ur-Rahman** **President/Chief Executive Officer**	**Rafique R. Bhimjee** **Director**	**Mazharul Haq Siddiqui** **Director**

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED DECEMBER 31, 2011

	2011	2010
	----Rupees in '000----	
Profit / (loss) for the year	**361,645**	(407,479)
Other comprehensive income	**-**	-
Total comprehensive loss for the year	**361,645**	(407,479)
Attributable to :		
Equity holders of the Bank	**360,551**	-
Non-controlling interest	**1,094**	-
	361,645	-

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

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

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

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED DECEMBER 31, 2011

	Attributable to shareholders of the bank						
	issued subscribed and paid-up share capital	Statutory reserve	Discount on issue of shares	Accumulated losses	Sub-total	Non-Controlling Interest	Total
	---------------Rupees in '000---------------						
Balance as at January 01, 2010	6,127,605	18,040	-	(523,192)	5,622,453	-	5,622,453
Total comprehensive (loss) for the year							
(Loss) after taxation for the year ended December 31, 2010	-	-	-	(407,479)	(407,479)	-	(407,479)
Other comprehensive loss	-	-	-	-	-	-	-
Total comprehensive loss for the year ended December 31, 2010	-	-	-	(407,479)	(407,479)	-	(407,479)
Transaction with owners recorded directly in equity							
Issue of right shares during the year	2,022,110	-	-	-	2,022,110	-	2,022,110
Discount on issue of right shares (Note 20.2.1)	-	-	(1,415,477)	-	(1,415,477)	-	(1,415,477)
	2,022,110	-	(1,415,477)	-	606,633	-	606,633
Balance as at December 31, 2010	8,149,715	18,040	(1,415,477)	(930,671)	5,821,607	-	5,821,607
Non-Controlling Interest on acquisition of subsidiary (Note 7)	-	-	-	-	-	1,302,052	1,302,052
Total comprehensive income for the year							
Profit after taxation for the year ended December 31, 2011	-	-	-	360,551	360,551	1,094	361,645
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive profit for the year ended December 31, 2011	-	-	-	360,551	360,551	1,094	361,645
Transaction with owners recorded directly in equity							
Issue of shares during the year	1,853,215	-	-	-	1,853,215	-	1,853,215
Discount on issue of shares (Note 20.2.2)	-	-	(529,403)	-	(529,403)	-	(529,403)
	1,853,215	-	(529,403)	-	1,323,812	-	1,323,812
Transfer to statutory reserve	-	71,938	-	(71,938)	-	-	-
Balance as at December 31, 2011	**10,002,930**	**89,978**	**(1,944,880)**	**(642,058)**	**7,505,970**	**1,303,146**	**8,809,116**

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

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

Consolidated Cash Flow Statement

FOR THE YEAR ENDED DECEMBER 31, 2011

	Note	2011	2010
		----Rupees in '000----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (loss) before taxation		**537,336**	(622,550)
Less: Dividend income		**(20,433)**	(22,483)
		516,903	(645,033)
Adjustments:			
Depreciation		**226,589**	223,178
Amortisation of intangible assets	13.3	**17,436**	15,479
Charge for defined benefit plan	34.6	**17,336**	21,721
Fixed assets written off		**-**	16,267
(Reversal) of / provision against non-performing advances - net		**(13,479)**	50,194
Unrealised (loss) / gain on revaluation of investments classified as held-for-trading		**4,502**	(840)
(Reversal) of provision for diminution in the value of investments	11.3	**(137,524)**	86,290
Share of profit from associate - net of tax	11.2.12	**(34,118)**	-
Other income		**(15,933)**	(3,931)
		64,809	408,358
		581,712	(236,675)
Decrease in operating assets			
Lendings to financial institutions		**(159,662)**	(413,521)
Held for trading securities		**(4,332,575)**	(1,367,623)
Advances - net		**(4,030,395)**	(2,338,654)
Other assets (excluding advance taxation)		**(453,401)**	(160,105)
		(8,976,033)	(4,279,903)
Increase / (decrease) in operating liabilities			
Bills payable		**877,374**	49,128
Borrowings		**(2,349,997)**	493,577
Deposits		**13,898,023**	4,962,537
Other liabilities		**(457,375)**	786,839
		11,968,025	6,292,081
		2,991,992	2,012,178
Income tax paid		**(45,857)**	(14,883)
Net cash from operating activities		**3,527,847**	1,760,620
CASH FLOW FROM INVESTING ACTIVITIES			
Net investment in available-for-sale securities		**(2,831,072)**	(2,907,706)
Dividend received		**20,433**	22,483
Payments for operating fixed assets		**(391,474)**	(114,370)
Proceeds on sale property and equipment disposed-off		**25,087**	19,765
Net cash used in investing activities		**(3,177,026)**	(2,979,828)
CASH FLOW FROM FINANCING ACTIVITIES			
Issue of share capital		**-**	606,633
Net cash from financing activities		**-**	606,633
Increase / (decrease) in cash and cash equivalents		**350,821**	(612,575)
Cash and cash equivalents at beginning of the year		**3,693,468**	3,825,010
Cash and cash equivalents at end of the year	32	**4,044,289**	3,212,435

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

Jahangir Siddiqui **Chairman**	**Kalim-ur-Rahman** **President/Chief Executive Officer**	**Rafique R. Bhimjee** **Director**	**Mazharul Haq Siddiqui** **Director**

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 is listed on Karachi Stock Exchange in Pakistan. The Bank is a subsidiary of Jahangir Siddiqui & Company Limited (JSCL). The registered office of the Bank is situated at Shaheen Commercial Complex, Dr. Ziauddin Ahmed Road, Karachi. The Bank operates with 147 (2010: 126) branches / sub-branches in Pakistan. The Pakistan Credit Rating Agency (Private) Limited (PACRA) has assigned the long term credit rating of the Bank as A ("Single A") and the short term rating as A1 ("A One") with stable outlook.

Jahangir Siddiqui Investment Bank Limited (JSIBL) and its holding company, Jahangir Siddiqui & Company Limited (JSCL), entered into a Framework Agreement with American Express Bank Limited, New York (AMEX) on November 10, 2005 for acquisition of its American Express Bank Limited (AEBL) Pakistan Operations. Consequently, a new banking company, JS Bank Limited (JSBL) was incorporated on March 15, 2006 and a restricted Banking License was issued by the State Bank of Pakistan (SBP) on May 23, 2006. Refer note 7 for further details of acquisition.

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

1.1.2 Subsidiary Company

JS Global Capital Limited (JSGCL) is principally owned by the Bank, holding 51% of it's equity interest. The Bank acquired effective controlling interest in JSGCL on December 21, 2011. JSGL is listed on Karachi and Islamabad stock exchanges. The principal business of JSGCL is to carry out share brokerage, money market, forex and commodity brokerage, advisory and consultancy services. Other activities include investment in a mix of listed and unlisted equity and debt securities and reverse repurchase transactions.

1.2 The State Bank of Pakistan through its BSD Circular No. 7 dated April 15, 2009 has prescribed that the minimum paid up capital (net of losses) for Banks / Development Finance Institutions (DFIs) be raised to Rs.10 billion by the year ending December 31, 2013. The raise is to be achieved in a phased manner requiring Rs.8 billion paid-up capital (free of losses) by the end of the financial year 2011. To meet the shortfall in the Minimum Capital Requirement (MCR) of the State Bank of Pakistan (SBP), the Bank acquired 25,525,169 shares of JS Global Capital Limited from Jahangir Siddiqui & Co. Limited and other shareholders of JS Global in exchange of issuance of 185,321,537 new shares of the Bank. As a result of this transaction the equity of the Bank has increased by Rs. 1.323 billion. The paid-up capital (free of losses) of the Bank as at December 31, 2011 stood at Rs.7.415 billion.

To meet the remaining shortfall in MCR, the Bank has submitted a plan to SBP to address the matter. In this connection, the SBP has communicated that the plan is under consideration. In the meantime, the SBP has exempted the Bank from complying with requirements of MCR till March 31, 2012. If the said plan is approved and implemented, management is hopeful that it would help the Bank to meet the MCR for the financial year ended 2011.

1.3 Basis of consolidation

- The consolidated financial statements include the financial statements of the Bank (holding company) and its subsidiary company together - “the Group”.
- Subsidiary company is 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 is 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 company have been consolidated on a line by line basis.
- Non-Controlling Interest in equity of the subsidiary company 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 requirements of provisions and directives under the Banking Companies Ordinance, 1962, Companies Ordinance, 1984 and the directives issued by the SBP differ, the provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 and directives issued by the SBP shall prevail.

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

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

a. During the year, the following standards, amendments to standards and interpretations including amendments to interpretations became effective, however, the application of these amendments and interpretations did not have material impact on the consolidated financial statements of the Group:

Standards/Amendments/Interpretations	Effective date (accounting period beginning on or after)
Amendment to IAS 1 - Presentation of Financial Statements	1-Jan-11
IAS 24 (as revised in 2009) - Related Party Disclosures	1-Jan-11
Amendment to IAS 27 (2008) - Consolidated and Separate Financial Statements	1-Jul-10
Amendments to IAS 32 - Financial Instruments – Presentation	1-Feb-10
Amendment to IAS 34 - Interim Financial Reporting	1-Jan-11
Amendments to IFRS 3 (2008) - Business Combinations	1-Jul-10
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	1-Jul-10
Amendment to IFRIC 13 - Customer Loyalty Programmes	1-Jan-11
Amendment to IFRIC 14 - Prepayments of a Minimum Funding Requirement	1-Jan-11

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

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

Standards/Amendments/Interpretations	Effective date (accounting period beginning on or after)
Amendments to IAS 1 - Presentation of Financial Statements	1-Jul-12
Amendments to IAS 12 - Income Taxes	1-Jan-12
IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine	1-Jan-13

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

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

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

The amendments to IAS 19 Employee Benefits are effective for annual period beginning on or after January 1, 2013. The amendments eliminate the corridor approach and therefore require an entity to recognize changes in defined benefit plans obligations and plan assets when they occur. All actuarial gains or losses arising during the year are recognized immediately through other comprehensive income. The amendments also require additional disclosures and retrospective application with certain exceptions. Management anticipates that the amendments will be adopted in the Group's consolidated financial statements for annual period beginning on or after January 1, 2013, and the application of amendments may have impact on amounts reported in respect of defined benefit plans. However, management has not performed detailed analysis of the impact of the application of the amendments and hence yet not quantified the extent of the impact.

5. CRITICAL ACCOUNTING ESTIMATES AND KEY SOURCES OF ESTIMATION UNCERTAINITY

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

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

i) Classification of Investments

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

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

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

ii) Provision against non performing loans and advances

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

iii) Valuation and impairment of available for sale equity investments

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

iv) Income taxes

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

v) Fair value of derivatives

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

vi) Fixed assets, depreciation and amortisation

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

vii) Defined benefits plans and other benefits

The Bank's Liability for defined benefit plan is determined on the basis of actuarial advice using the Projected Unit Credit Method.

viii) Impairment of Goodwill

Impairment testing involves a number of judgmental areas which are subject to inherent significant uncertainty, including the preparation of cash flow forecasts for periods that are beyond the normal requirements of management reporting and the assessment of the discount rate appropriate to the business. The carrying amount of goodwill at the balance sheet date was Rs. 1,463.624 million. The details assumptions underlying impairment testing of goodwill are given in note 13.3.4 to these consolidated financial statements.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6.1 Basis of Consolidation

Subsidiary

Subsidiary is an entity controlled by the Group. Control exists when the Group has power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiary is included in the consolidated financial statements from the date that control commences until the date that control ceases. The assets and liabilities of subsidiary have been consolidated on a line by line basis and the carrying value of investment in subsidiary held by the holding company is eliminated against the shareholders' equity in the consolidated financial statements.

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the bank, liabilities incurred by the bank to the former owners of the acquiree and the equity interests issued by the bank in exchange for control of the acquiree. Acquisition-related costs are recognised in profit and loss account as incurred.

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

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

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

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

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 reciept 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 differene 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.

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 investments, other than those in associate and subsidiary, 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.

"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.

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

Tangible assets

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

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

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

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

Intangible assets

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

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

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

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.

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

6.13.1 Holding Company

Defined contribution plan

The Bank has established a provident fund scheme for all permanent employees effective from January 1, 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 consolidated profit and loss account.

Defined benefit plan

The Bank operates an unfunded gratuity scheme covering all employees, which requires contribution to be made in accordance with the actuarial recommendations. The most recent valuation in this regard was carried out as at December 31, 2011, using the projected unit credit actuarial valuation method. Under this method cost of providing for gratuity is charged to consolidated profit and loss account so as to spread the cost over the service lives of the employees in accordance with the actuarial valuation. Actuarial gains and losses are recognised as income or expense when the net cumulative unrecognised actuarial gains and losses at the end of the previous reporting period exceed 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognised over the expected average remaining working lives of the employees participating in the plan.

6.13.2 Subsidiary

Defined contribution plan

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

6.14 Revenue recognition

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

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

- “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 leaseincome 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.

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.

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 147 (2010: 126) branches / sub-branches and operates only in Pakistan.

6.19 Assets acquired in satisfaction of claims

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

6.20 Fiduciary assets

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

6.21 Earnings per share

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

7. BUSINESS COMBINATION

7.1 During the year, the Bank acquired 25,525,169 shares of JSGCL in lieu of issuance of 185,321,537 shares of the Bank. The share acquisition was effected partly through a private arrangement with JSCL whereas the remaining shares were acquired from general public. The Bank acquired equity interest in JSGCL 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 7.14332508 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 control over JSGCL through following phases:

Date of acqusition	Number of shares issued	Number of shares acquired	Proportion of voting equity interest acquired
October 20, 2011	157,802,346	21,734,826	43.47%
December 21, 2011	27,519,191	3,790,343	7.58%
	185,321,537	**25,525,169**	**51.05%**

7.1.1 The detail of net assets acquired and Bargain purchase gain as on December 21, 2011 is as follows:

	Carrying Amounts	Fair Values
	Rupees in '000	
Cash and balances with treasury banks	94	94
Balances with other banks	481,228	481,228
Lendings to financial institutions	-	-
Investments	1,977,138	1,977,138
Advances	7,859	7,859
Operating fixed assets (includes intangibles held in the books of JSGCL)	43,645	43,645
Deferred tax assets	141,586	141,586
Other assets	205,009	205,009
Total Assets	**2,856,559**	**2,856,559**
Bills payable	-	-
Borrowings	-	-
Deposits and other accounts	-	-
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	184,922	184,922
Total Liabilities	**184,922**	**184,922**
Net Assets	**2,671,637**	**2,671,637**

		Note	Carrying Amounts	Fair Values
			Rupees in '000	
7.1.2	**Purchase consideration**			
	Consideration transferred (27,519,191 ordinary shares of JS Bank)			49,535
	Non Controlling in acquiree (proportionate share in the net assets of JSGCL)			1,307,757
	Fair Value of previously held interest			315,155
				1,672,447
	Less: Fair value of net assets acquired as at December 21, 2011			2,671,637
	Bargain purchase gain			**999,190**
	Loss on revaluation of investment held under equity method / cost			(993,240)
	Net Gain of acquisition on consolidated	7.1.2.1		**5,950**

7.1.2.1 Reconciliation of Gain on Bargin Purchase

	Carrying Amounts	Fair Values
No. of shares in millions	21,735	3,790
Carrying amount in Separate financial stataements	1,161,351	196,578
Fair Value of investment	(315,155)	(49,535)
Revaluation loss	**846,196**	147,043
Share in net asset of JSGCL	1,161,351	202,528
Fair Value	(315,155)	(49,535)
Bargian puchase	**846,196**	**152,993**
Net Impact	**-**	**5,950**

7.2 As investment in subsidiary was held at cost in standalone financial statements, however as per IFRS 3 it has been re-measured to market value which is relatively lower than the breakup value of the respective companies. The re-measurement from cost to fair value resulted in loss in the value of investment, whereas it created gain representing bargain purchase recognized in consolidated financial statements.

In accordance with SBP's letter number BSD/BAI-3/608/1330/2011 dated February 2, 2011 regarding approval granted to the Bank for acquisition of JSGCL, the swap ratio for share-exchange arrangement would be fixed at break-up values of both the Bank and the acquiree as of December 31, 2010 and there would be no creation of any goodwill. Accordingly, carrying value of the net assets of the acquiree have been appropriately adjusted to avoid recognition of goodwill or bargain purchase.

8. CASH AND BALANCES WITH TREASURY BANKS

	Note	2011	2010
		----Rupees in '000----	
In hand			
Local currency		**829,063**	507,599
Foreign currencies		**177,363**	122,310
		1,006,426	629,909
With State Bank of Pakistan in			
Local currency current account		**1,917,125**	1,233,645
Foreign currency accounts			
- Cash reserve account - non remunerative	8.1	**140,765**	108,159
- Special cash reserve account - remunerative	8.2	**419,147**	318,997
- Local US Dollar instruments collection and settlement account - remunerative	8.3	**7,098**	7,974
		2,484,135	1,668,775
With National Bank of Pakistan in			
- Local currency current accounts		**385,133**	233,686
- Foreign curreny current account	8.4	**4,063**	1,017
		389,196	234,703
National Prize Bonds		**1,025**	122
		3,880,782	2,533,509

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% (2010: 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% (2010: 0%) per annum.

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

9. BALANCES WITH OTHER BANKS

	Note	2011	2010
		----Rupees in '000----	
In Pakistan			
On current accounts		**75,840**	66,477
On deposit accounts	9.1	**27,111**	62
		102,951	66,539
Outside Pakistan			
On current accounts		**39,220**	36,621
On deposit accounts	9.2	**22,896**	579,939
		62,116	616,560
		165,067	683,099

9.1 These carry mark-up at the rate of 0% to 11.5% per annum (2010: 0% per annum)

9.2 This represents deposits accounts / term placements outside Pakistan, carrying charge rate at 0% (2010: 2.75%) per annum.

10. LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2011	2010
		----Rupees in '000----	
Call money lendings	10.1 & 10.2	**1,000,000**	1,900,000
Lending to Financial Institutions	10.3	**772,758**	520,935
Repurchase agreement lendings (Reverse Repo)	10.4	**2,030,264**	1,222,425
		3,803,022	3,643,360

10.1 These represent unsecured call money lendings to financial institutions, carrying interest at the rates ranging between 11.55% and 12.50% (2010: 13.15% and 14.84%) per annum. These are due to mature between January 03, 2012 to March 16, 2012.

10.2 Included herein is a sum of Rs. NIL (2010: Rs.150) million due from a related party.

10.3 This represents secured lending to various financial institutions, carrying interest at the rates ranging between 1.50% and 14.92% (2010: 14.42% and 14.49%) per annum.

10.4 These are secured short-term lendings to various financial institutions carrying mark-up rates ranging from 11.80% to 12.50%. These are due to mature between January 03, 2012 to February 27, 2012. These are collaterlized by Market Treasury Bills, Pakistan Investment Bonds and Term Finance Certificates as shown in Note 10.6 below.

10.5 Particulars of lendings

	2011	2010
	----Rupees in '000----	
In local currency	**3,803,022**	3,643,360
In foreign currency	**-**	-
	3,803,022	3,643,360

10.6 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,

	2011			2010		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
	---------Rupees in '000--------			---------Rupees in '000--------		
Market Treasury Bills	**1,712,210**	**-**	**1,712,210**	1,077,000	-	1,077,000
Term Finance Certificate	**67,574**	**-**	**67,574**	150,000	-	150,000
Pakistan Investment Bonds	**253,690**	**-**	**253,690**	-	-	-
	2,033,474	**-**	**2,033,474**	1,227,000	-	1,227,000

11. INVESTMENTS - net

	Note	2011 Held by bank	2011 Given as collateral	2011 Total	2010 Held by bank	2010 Given as collateral	2010 Total
		---------Rupees in '000---------			---------Rupees in '000---------		
11.1 Investments by type							
Held-for-trading securities							
Market Treasury Bills	11.2.1 & 11.2.2	4,755,435	451,953	5,207,388	1,198,883	-	1,198,883
Pakistan Investment Bonds	11.2.1	306,812	49,149	355,961	168,740	-	168,740
National Saving Bonds	11.2.1	5,547	-	5,547	-	-	-
Ijara Sukuk	11.2.1	998,000	-	998,000	-	-	-
Term Finance Certificates-listed	11.2.5	4,955	-	4,955	-	-	-
Term Finance Certificates-unlisted	11.2.6	135,000	-	135,000	-	-	-
Ordinary shares of listed companies	11.2.3	22,400	-	22,400	-	-	-
Open end mutual funds	11.2.10	734,766	-	734,766	-	-	-
		6,962,915	501,102	7,464,017	1,367,623	-	1,367,623
Available-for-sale securities							
Market Treasury Bills	11.2.1	5,951,430	1,696,954	7,648,384	5,053,931	3,933,888	8,987,819
Pakistan Investment Bonds	11.2.1	4,421,551	-	4,421,551	486,051	-	486,051
Ordinary shares of listed companies	11.2.3	19,096	-	19,096	190,091	-	190,091
Preference shares of listed company	11.2.4	394,174	-	394,174	95,503	-	95,503
Term Finance Certificates-listed	11.2.5	1,390,972	-	1,390,972	1,193,711	-	1,193,711
Term Finance Certificates-unlisted	11.2.6	829,774	-	829,774	915,671	-	915,671
Sukuk Certificates-unlisted	11.2.7	193,966	-	193,966	295,314	-	295,314
Commercial Paper	11.2.8	51,256	-	51,256	-	-	-
Closed end mutual funds	11.2.9	118,601	-	118,601	126,506	-	126,506
Open end mutual funds	11.2.10	264,290	-	264,290	193,646	-	193,646
US dollar bonds	11.2.11	459,705	-	459,705	116,709	-	116,709
		14,094,815	1,696,954	15,791,769	8,667,133	3,933,888	12,601,021
Total investments at cost		21,057,730	2,198,056	23,255,786	10,034,756	3,933,888	13,968,644
Less: Provision for diminution in value in investments	11.3	(322,083)	-	(322,083)	(293,444)	-	(293,444)
Investments (net of provision)		20,735,647	2,198,056	22,933,703	9,741,312	3,933,888	13,675,200
Surplus on revaluation of Held for trading securities	11.4	26,586	(3,424)	23,162	840	-	840
Surplus / (deficit) on revaluation of available-for-sale securities	21 & 11.1.1	(49,541)	(678)	(50,219)	36,491	(10,832)	25,659
Total investments at market value		20,712,692	2,193,954	22,906,646	9,778,643	3,923,056	13,701,699

11.1.1 This includes deficit on revaluation of available for sale investments of subsidiary amounting to Rs.7.02 million which is the pre-acquisition deficit and has been included here only for meeting with requirement of the prescribed format of Banks/DFIs issued by the State Bank of Pakistan.

	Note	2011	2010
		----Rupees in '000----	
11.2 Investments by segments			
Federal Government Securities			
Market Treasury Bills	11.2.1 & 11.2.2	**12,855,772**	10,186,702
Pakistan Investment Bonds	11.2.1	**4,777,512**	654,791
National Saving Bonds		**5,547**	-
Ijara Sukuk	11.2.1	**998,000**	-
		18,636,831	10,841,493
Fully Paid Ordinary Shares			
Listed companies	11.2.3	**41,496**	190,091
Fully Paid Preference Shares			
Listed company	11.2.4	**394,174**	95,503
Term Finance Certificates			
Term Finance Certificates – listed	11.2.5	**1,395,927**	1,193,711
Term Finance Certificates – unlisted	11.2.6	**964,774**	915,671
Sukuk Certificates	11.2.7	**193,966**	295,314
		2,554,667	2,404,696
Mutual Funds			
Closed end mutual funds	11.2.9	**118,601**	126,506
Open end mutual funds	11.2.10	**999,056**	193,646
		1,117,657	320,152
Others			
Commercial Paper	11.2.8	**51,256**	-
Investment in US Dollar Bonds	11.2.11	**459,705**	116,709
		510,961	116,709
Total investments at cost		**23,255,786**	13,968,644
Less: Provision for diminution in value of investments	11.3	**(322,083)**	(293,444)
Investments (net of provisions)		**22,933,703**	13,675,200
Surplus on revaluation of held for trading securities	11.4	**23,162**	840
Surplus on revaluation of available-for-sale securities	21 & 11.1.1	**(50,219)**	25,659
Total investments at market value		**22,906,646**	13,701,699

11.2.1 Principal terms of investment in Federal Government Securities

Name of investment	Maturity	Redemption Period	Coupon
Market Treasury Bills	January 12, 2012 to November 29, 2012	On maturity	At maturity
Pakistan Investment Bonds	August 22, 2012 to August 18, 2021	On maturity	Half Yearly
National Saving Bonds	January 29, 2020	On maturity	Half Yearly
Ijara Sukuk	December 26, 2012	On maturity	Half Yearly

11.2.2 Market treasury bills are for a period of three to twelve months and carry a yield of 11.67% to 13.55% (2010: 11.93% to 13.21%) per annum with maturity up to November 2012. Market treasury bills are eligible for re-discounting with the State Bank of Pakistan.

11.2.3 Details of investment in Ordinary shares - listed

	No.of shares of Rs. 10 each 2011	No.of shares of Rs. 10 each 2010	Rating	Cost 2011	Cost 2010	Market value 2011	Market value 2010
				----------Rupees in '000---------			
Held-for-trading securities							
Bank Al-Falah	**2,000,000**	-	**AA**	**22,400**	-	**22,500**	-
				22,400	-	**22,500**	-
Available-for-sale securities							
ICI Pakistan Limited	**-**	1,100,000	Unrated	**-**	190,091	**-**	158,664
Ghani Glass	**83,326**	-	Unrated	**3,715**	-	**3,419**	-
Fauji Fertilizer	**100,000**	-	Unrated	**15,381**	-	**14,953**	-
				19,096	190,091	**18,372**	158,664

11.2.4 Details of investment in preference shares - listed

	No.of shares of Rs. 10 each 2011	No.of shares of Rs. 10 each 2010	Rating	Cost 2011	Cost 2010	Market value 2011	Market value 2010
				----------Rupees in '000---------			
Available-for-sale securities							
Chenab Limited - 9.25% per annum cumulative preference shares (note 11.2.4.1)	**13,357,000**	13,357,000	Unrated	**95,503**	95,503	**22,707**	33,393
PICT - 8.99% per annum cumulative preference shares	**6,949,320**	-	Unrated	**69,493**	-	**62,474**	-
ANL - 8.95% per annum cumulative preference shares (note 11.2.4.2)	**25,601,986**	-	Unrated	**229,178**	-	**63,015**	-
				394,174	95,503	**148,196**	33,393

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

11.2.4.2 These are partly convertible preference shares having issue price of Rs.10 each and carrying dividend @ 8.95% per annum payable annually in arrears on the issue price with a term of 6 years from the issue date of 24 September 2004. As per the original terms of the issue, 50% of the preference shares were due for redemption at the end of the fifth year whereas remaining 50% were due for redemption at the end of the sixth year (September 24, 2010). As per the terms of the issue, if the issuer fails to redeem the shares in the said manner, the entire amount of the face value of the shares together with the dividend accrued will be converted into ordinary shares of the Azgard Nine Limited at the option of the shareholder at the end of the sixth year (completing on 24 September 2010).

Azgard Nine Limited did not comply with the original terms of the issue and issued draft revised terms last year as per which 50% of the outstanding amount would be converted into ordinary shares of Agritech Limited and the balance of 50% would be converted into ordinary shares of Azgard Nine Limited. Azgard Nine Limited failed to comply with the revised terms also subsequently. Management is currently considering various recourses at its disposal and on prudent basis determined provision for impairment against these preference shares.

11.2.5 Details of investment in Term Finance Certificates - listed *

	No.of certificates		Rating	Cost		Market value	
	2011	2010		2011	2010	2011	2010
				----------Rupees in '000----------			
Held-for-trading securities							
United Bank Limited - 4th Issue	**600**	-	AA	**3,002**	-	**2,986**	-
Pakistan Mobile Communication Limited	**410**	-	A+	**1,953**	-	**2,016**	-
				4,955	-	**5,002**	-
Available-for-sale securities							
Askari Bank Limited - 1st Issue	**1,080**	6,080	AA-	**5,386**	30,236	**5,382**	30,163
Askari Bank Limited - 3rd Issue	**8,236**	15,736	AA-	**41,244**	78,649	**42,125**	79,828
Bank Alfalah Limited	**19,000**	19,000	AA-	**63,166**	94,781	**63,149**	93,681
Faysal Bank Limited	**3,090**	3,090	AA-	**7,700**	11,547	**7,742**	11,505
Standard Chartered Bank Pakistan Limited -2nd Issue **	**-**	135	N/A	**-**	168		169
Engro Fertilizer Limited - 1st Issue	**45,880**	31,780	AA	**226,769**	158,700	**224,473**	155,567
Engro Fertilizer Limited - 3rd Issue	**35,119**	42,814	AA	**175,686**	213,984	**178,177**	215,308
Faysal Bank Limited	**2,341**	2,341	AA-	**11,686**	11,691	**11,608**	11,338
NIB Bank Limited	**30,798**	25,798	A+	**148,962**	124,172	**150,710**	125,434
Pak Arab Fertilizer Limited - 2nd Issue	**39,950**	39,950	AA	**147,370**	186,789	**148,479**	182,132
Pakistan Mobile Communication Limited	**31,260**	39,260	AA-	**76,885**	158,343	**78,236**	163,292
World Call Telecommunication Limited	**90,650**	5,000	A	**235,556**	7,580	**225,190**	8,280
Allied Bank Limited - 2nd Issue	**9,000**	9,000	AA-	**44,964**	44,982	**42,641**	43,272
Orix Leasing Pakistan Limited (face value of Rs.100,000 each)	**1,134**	-	AA+	**113,400**	-	**117,418**	-
United Bank Limited - 3rd Issue unsecured	**1,000**	-	AA	**3,229**	-	**3,150**	-
United Bank Limited - 2nd Issue usecured	**15,837**	15,317	AA	**73,969**	72,089	**72,776**	67,091
Engro Rupiya Certificate	**3,000**	-	Unrated	**15,000**	-	**15,000**	-
				1,390,972	1,193,711	**1,386,256**	1,187,060

* 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'.

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

Name of the Company	Profit: Repayment frequency	Profit: Rate per annum	Maturity Date
Askari Bank Limited - 1st Issue	Semi-annually	6 months KIBOR ask rate plus 1.50%	February 04, 2013
Askari Bank Limited - 3rd Issue	Semi-annually	6 months KIBOR ask rate plus 2.95% for 1st Five Years	November 18, 2019
Bank Alfalah Limited	Semi-annually	6 months KIBOR ask rate plus 1.50%	November 23, 2012
Faysal Bank Limited	Semi-annually	6 months KIBOR ask rate plus 1.50%	February 10, 2013
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

Name of the Company	Repayment frequency	Profit Rate per annum	Maturity Date
Faysal Bank Limited	Semi-annually	6 months KIBOR ask rate plus 1.40%	November 12, 2014
NIB Bank Limited	Semi-annually	6 months KIBOR ask rate plus 1.15%	March 05, 2016
Pak Arab Fertilizer Limited - 2nd Issue	Semi-annually	6 months KIBOR ask rate plus 1.50%	February 28, 2013
Pakistan Mobile Communication Limited	Semi-annually	6 months KIBOR ask rate plus 2.85%	May 31, 2013
World Call Telecommunication Limited	Semi-annually	6 months KIBOR ask rate plus 1.60%	October 07, 2013
Allied Bank Limited - 2nd Issue	Semi-annually	6 months KIBOR ask rate plus 1.30% (for 5 Years)	August 28, 2019
United Bank Limited - 2nd Issue	Semi-annually	Fixed 9.49%	March 15, 2013
United Bank Limited - 3rd Issue	Semi-annually	Fixed 8.45%	August 10, 2012
Orix Leasing Pakistan Limited	Quarterly	3 month KIBOR ask rate plus 2.15 %.	June 30, 2014
Pakistan Mobile Communication Limited	Semi-annually	6 months KIBOR ask rate plus 1.65%	October 10, 2013
United Bank Limited - 4th Issue	Semi-annually	6 months KIBOR ask rate plus 0.85%	February 14, 2018
Engro Rupiya Certificate	Semi-annually	Fixed 14.50%	February 14, 2018

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

Name of the Company	No.of certificates 2011	No.of certificates 2010	Rating	Face value per certificate	Cost 2011	Cost 2010
				Rupees	Rupees in '000	
Held-for-trading securities						
Askari Bank Limited	**100**	-	AA-	1,000,000	**100,000**	-
Orix Leasing Pakistan Limited	**350**	-	AA+	100,000	**35,000**	-
					135,000	-
Available-for-sale securities						
Bank Alfalah Limited	**7,000**	10,000	AA-	5,000	**35,286**	50,479
KASB Securities Limited	**14,000**	14,000	AA-	5,000	**22,901**	66,013
Orix Leasing Pakistan Limited	**2,795**	3,145	AA	100,000	**135,593**	249,419
Nishat Chunian Limited *	**50,000**	50,000	A+	5,000	**234,375**	250,000
Engro Fertilizer Ltd.	**1,300**		AA	5,000	**5,879**	
Askari Bank Limited	**50**		AA-	1,000,000	**50,000**	
Trakker (Private) Limited	**1**	-	withdrawn	-	**46,000**	-
Related parties						
Azgard Nine Limited	**30,000**	30,000	D	5,000	**149,880**	149,880
Agritech Limited [formerly known as Pak American Fertilizers Limited]	**30,000**	30,000	D	5,000	**149,860**	149,880
					829,774	915,671

11.2.6.1 The portfolio of unlisted Term Finance Certificates includes investment in Azgard Nine Limited and Agritech Limited amounting to Rs. 149.880 million and 149.860 million respectively as disclosed above. The impact of relaxation availed by the Bank for maintaining provision against these investments has been disclosed in note 11.3.1 to these financial statements.

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

Name of the Company	Profit: Repayment frequency	Profit: Rate per annum	Maturity Date
Bank Alfalah Limited (Chief Executive: Mr. Sirajuddin Aziz)	Semi-annually	6 month KIBOR ask rate plus 2.50 %.	December 02, 2017
KASB Securities Limited (Chief Executive: Mr. Farrukh. H. Sabzwari)	Semi-annually	6 month KIBOR ask rate plus 1.90 %.	June 27, 2012
Orix Leasing Pakistan Limited (Chief Executive: Mr. Humayun Murad)	Semi-annually	6 month KIBOR ask rate plus 1.40%.	January 15, 2013
Nishat Chunian Limited (Chief Executive: Mr. Shahzad Saleem)	Quarterly	3 month KIBOR ask rate plus 2.25%.	September 30, 2015
Engro Fertilizer Ltd.	Semi-annually	6 month KIBOR ask rate plus 1.70%.	March 18, 2018
Askari Bank Limited	Semi-annually	6 month KIBOR ask rate plus 2.20%.	December 23, 2021
Orix Leasing Pakistan Limited	Quarterly	3 month KIBOR ask rate plus 2.15%.	June 30, 2014
Askari Bank Limited 4th issue	Semi-annually	6 months KIBOR ask rate plus1.75% for 5 yrs 6 months KIBOR ask rate plus 2.2% for 5 yrs	December 23, 2021
Trakker (Private) Limited	Semi-annually	6 month KIBOR ask rate plus 3.5%.	October 31, 2009
Related Parties			
Azgard Nine Limited (Chief Executive: Mr. Ahmed H. Shaikh)	Semi-annually	6 Months KIBOR ask rate plus 2.25%.	December 04, 2017
Agritech Limited [formerly known as Pak American Fertilizers Limited] (Chief Executive: Mr. Jaudet Bilal)	Semi-annually	6 month KIBOR ask rate plus 1.75%.	November 29, 2014

11.2.7 Sukuk Certificates - unlisted

Name of the Company	No.of certificates 2011	No.of certificates 2010	Rating	Face value per certificate	Cost 2011	Cost 2010
				Rupees	Rupees in '000	
Available-for-sale securities						
Karachi Shipyard and Engineering Works Limited	**-**	3,000	N/A	5,000	**-**	15,000
Sitara Chemical Industries Limited	**19,000**	19,000	N/A	5,000	**39,583**	71,250
Century Paper & Board Mills Limited	**49,950**	54,950	A+	5,000	**144,303**	209,064
Orix Leasing Pakistan Ltd.	**12,160**	-	N/A	5,000	**10,080**	-
					193,966	295,314

11.2.7.1 Other particulars of Sukuk Certificates are as follows:

Name of the Company	Profit: Repayment frequency	Profit: Rate per annum	Maturity Date
Sitara Chemical Industries Limited (Chief Executive: Mr. Muhammad Adrees)	Quarterly	3 months KIBOR ask rate + 1.0%	January 02, 2013
Century Paper & Board Mills Limited (Chief Executive: Mr. Aftab Ahmad)	Semi-annually	6 months KIBOR ask rate + 1.35%	September 25, 2014
Orix Leasing Pakistan Limited (Chief Executive: Mr. Teizoon Kisat)	Semi-annually	6 months KIBOR ask rate + 1.25%	June 30, 2012

11.2.8 Commercial papers are for a period of six months and carry a yield of 14.16% (2010: NIL) per annum with maturity up to May 2012.

11.2.9 Closed End Mutual Funds

Fund	No.of certificates		Rating	Face value per certificate	Cost		Market value	
	2011	2010			2011	2010	2011	2010
				Rupees	----------Rupees in '000----------			
Available-for-sale								
First Dawood Mutual Fund	**2,362,100**	3,350,050	2-Star	10	**18,900**	26,805	**4,017**	6,700
JS Value Fund - a related party	**8,745,668**	8,745,668	5-Star	10	**99,701**	99,701	**37,606**	41,717
					118,601	126,506	**41,623**	48,417

11.2.10 Open End Mutual Funds

Fund	No.of units		Rating	Net asset value per unit	Cost		Market value	
	2011	2010			2011	2010	2011	2010
				Rupees	----------Rupees in '000----------			
Held For Trading								
JS Cash Fund - a related party	**3,564,067**	-	N/A	101.32	**350,216**	-	**361,188**	-
MCB-Cash Management Optimizer fund	**397,592**	-	N/A	102.89	**38,633**	-	**40,907**	-
UBL Government Securities Fund	**263,564**		N/A	100.36	- **25,000**	-	**26,452**	
UBL Liquidity Plus Fund	**300,979**		N/A	100.48	**28,562**	-	**30,244**	-
JS Principal Secure Fund	**2,756,543**	-	N/A	111.53	**292,355**	-	**307,437**	
					734,766	-	**766,228**	-
Available-for-sale								
JS Cash Fund - a related party	**411,855**	-	N/A	100.94	**41,572**	-	**41,729**	-
JS Principal Secure Fund - a related party	**204,564**	-	N/A	111.05	**22,718**	-	**22,815**	-
JS Large Cap. Fund - a related party	**-**	2,420,579	N/A	65.15	**-**	193,646	**-**	157,701
JS Income Fund - a related party	**2,325,311**	-	N/A	86.01	**200,000**	-	**200,070**	-
					264,290	193,646	**264,614**	157,701

11.2.11 Investment in US$ Bonds

Name of Bond	Rating	Coupon Rate	Date of Issue	Date of Marturity	Redemption Period in years	Cost 2011	Cost 2010
						----Rupees in '000----	
Available for sale							
ABN Amro Bank	BBB+	6.25%	27-Apr-11	27-Apr-22	11	**89,147**	-
African Bank	BAA2	6.00%	15-Jun-11	15-Jun-16	5	**22,444**	-
Doosan Infracore America Corporation	A	4.50%	23-Nov-11	23-Nov-16	5	**26,912**	-
Gaz Capital SA	BBB	4.95%	23-May-11	23-May-16	5	**44,973**	-
Indian Oil Corporation Limited	BBB-	5.63%	2-Aug-11	2-Aug-21	10	**26,780**	
NTPC Limited	BBB-	5.63%	14-Jul-11	14-Jul-21	10	**45,120**	-
Royal Bank of Scotland Group	BB+	5.00%	12-Nov-03	12-Nov-13	10	**44,761**	-
Societe Generale Group	A+	2.20%	14-Sep-10	14-Sep-13	3	**21,526**	-
Standered Chartered Bank PLC	BBB+	8.13%	27-May-08	27-Nov-13	6	**56,362**	-
VEB Leasing	BBB	5.13%	27-May-11	27-May-16	5	**36,188**	-
VTB Capital SA	BBB	6.55%	13-Oct-10	13-Oct-20	10	**45,492**	-
First Gulf Bank	A2	4.00%	19-Nov-09	26-Nov-12	3	**-**	85,784
Qatar Petroleum	Aa2	5.58%	26-May-06	30-May-11	5	**-**	30,924
						459,705	116,709

11.2.12 Investment in subsidiary

"As explained in note 1.3, during the current year the Bank acquired 25,525,169 ordinary shares of JS Global Capital Limited (JSGCL) in lieu of issuance of 185,321,537 shares of the Bank at an agreed share-exchange ratio of 7.26034550 shares of Bank for each share in JSGCL. The transactions consisted of acquiring entire shareholding of Jahangir Siddiqui & Company Limited (43.47%) comprising of 21,734,826 shares on October 21, 2011 whereas remaining shares of 3,790,343 shares were acquired from open market through public offer on December 21, 2011. Further details of subsidiary are given in consolidated financial statements.

As at December 31, 2011, the total shareholding of the Bank in JSGCL amounts to 51.05%. The investment was classified as investment in associate on first purchase and accounted for under IAS - 28 "Investment in Associate". Subsequent to the second purchase investment was classified as investment in subsidiary and carried at cost. Share of profit from associate includes two months profit amounting to Rs. 10.465 million and excess of fair value of net assets of the associate over consideration transferred amounting to Rs. 23.653 million.

11.3 Particulars of provision for diminution in value of investments

	2011	2010
	----Rupees in '000----	
Opening balance	**459,607**	294,656
Charge for the year	**10,686**	86,290
Reversal on disposal of investments	**(148,210)**	(87,502)
	(137,524)	(1,212)
Closing balance	**322,083**	293,444

	Note	2011	2010
		----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		**-**	59,675
Preference shares of listed company		**238,959**	62,110
Closed end mutual funds		**83,124**	89,359
Open end mutual funds		**-**	82,300
		322,083	293,444
11.4 Unrealized Gain / (Loss) on revalution of investments classified as held for trading			
Market Treasury Bills		**(4,245)**	131
Pakistan Investment Bonds		**(6,280)**	709
National Saving Bonds		**838**	-
Ijara Sukuk		**-**	-
Term Finance Certificates-listed		**47**	47
Term Finance Certificates-unlisted		**1,240**	1,240
Ordinary shares of listed companies		**100**	100
Open end mutual funds		**31,462**	31,403
		23,162	33,630

12. ADVANCES

	Note	2011	2010
Loans, cash credit, running finances, etc. - in Pakistan			
In Pakistan		**16,540,422**	14,003,773
Outside Pakistan		**1,116,517**	270,391
		17,656,939	14,274,164
Net investment in finance lease			
In Pakistan	12.2	**413,039**	108,783
Outside Pakistan		**-**	-
		413,039	108,783
Bills discounted and purchased (excluding treasury bills)			
payable in Pakistan		**320,468**	120,668
payable outside Pakistan		**149,654**	1,922
		470,122	122,590
Financing in respect of margin trading system		**3,533**	-
Advances - gross		**18,543,633**	14,505,537
Provision for non-performing advances - specific	12.3	**(512,666)**	(525,364)
Provision for non-performing advances - general	12.4	**(1,083)**	(2,060)
		(513,749)	(527,424)
Advances - net of provision		**18,029,884**	13,978,113
12.1 Particulars of advances (gross)			
12.1.1 In local currency		**17,277,462**	14,233,224
In foreign currency		**1,266,171**	272,313
		18,543,633	14,505,537
12.1.2 Short term (for up to one year)		**15,429,145**	11,129,105
Long term (for over one year)		**3,114,488**	3,376,432
		18,543,633	14,505,537

12.2 Particulars of net investment in finance lease

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

	2010		
	Not later than one year	Later than one and less than five years	Total
	----------Rupees in '000----------		
Lease rentals receivable	48,147	76,791	124,938
Guaranteed residual value	-	9,102	9,102
Minimum lease payments	48,147	85,893	134,040
Less: Finance charges for future periods	13,382	11,875	25,257
Present value of minimum lease payments	34,765	74,018	108,783

12.3 Advances include Rs.2,776.895 (2010: Rs.1,902.566) million which have been placed under non-performing status as detailed below:

		2011				
Category of classification		Domestic	Overseas	Total	Provision required	Provision Held
		----------Rupees in '000----------				
Other assets especially mentioned		**-**	**-**	**-**	**-**	**-**
Substandard		**973**	**-**	**973**	**95**	**95**
Doubtful		**1,671,373**	**-**	**1,671,373**	**248**	**248**
Loss		**1,104,549**	**-**	**1,104,549**	**512,323**	**512,323**
	12.3.1	**2,776,895**	**-**	**2,776,895**	**512,666**	**512,666**

	2010				
Category of classification	Domestic	Overseas	Total	Provision required	Provision Held
	----------Rupees in '000----------				
Other assets especially mentioned	-	-	-	-	-
Substandard	410,458	-	410,458	365	365
Doubtful	561,516	-	561,516	6,083	6,083
Loss	930,592	-	930,592	518,916	518,916
	1,902,566	-	1,902,566	525,364	525,364

12.3.1 Included herein are the classified advances pertaining to Azgard Nine Limited and Agritech Limited (related parties) amounting to Rs. 536.570 million and 1,261.983 million respectively. The State Bank of Pakistan vide letter number BSD/BRP/-1/000776/2012 dated January 18, 2012 and BSD /BRP-1/001485/2012 dated February 02, 2012 has granted the relaxation for provisioning requirement under Prudential Regulations till February 28, 2012. Consequently, no provision has been recognized in these financial statements in respect of these loans.

12.4 Particulars of provision against non-performing advances

	2011			2010		
	Specific	General	Total	Specific	General	Total
	----------Rupees in '000---------			----------Rupees in '000---------		
Opening balance	**525,364**	**2,060**	**527,424**	473,082	4,485	477,567
Charge for the year	**78,683**	**-**	**78,683**	141,463	-	141,463
Reversals (note 12.4.1)	**(91,381)**	**(977)**	**(92,358)**	(88,844)	(2,425)	(91,269)
	(12,698)	**(977)**	**(13,675)**	52,619	(2,425)	50,194
Amount written off from the opening balance	**-**	**-**	**-**	(337)	-	(337)
Closing Balance	**512,666**	**1,083**	**513,749**	525,364	2,060	527,424

	2011			2010		
	Specific	General	Total	Specific	General	Total
	----------Rupees in '000---------			----------Rupees in '000---------		
In local currency	**512,666**	**1,083**	**513,749**	525,364	2,060	527,424
In foreign currencies	**-**	**-**	**-**	-	-	-
	512,666	**1,083**	**513,749**	525,364	2,060	527,424

12.4.1 Included herein is a sum of Rs.NIL (2010: Rs.86.673) million reversed on receipt of cash from a related party.

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

12.5 During the year, the SBP vide BSD Circular number 01 dated October 21, 2011 amended Prudential Regulations in relation to benefit of forced sale value against mortgaged commercial and residential properties. Management applied the revised requirements against non-performing advances against which benefit was availed under the previous requirements. However, becuase the effect of revised requirement is not material to financial statements, management has decided to keep the previous benefit intact.

12.6 No advances were written off in current year.

12.7 **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:

	2011	2010
	----Rupees in '000----	
Balance at the beginning of the year	**2,960,024**	219,982
Loans granted during the year	**1,923,192**	142,298
Repayments	**(1,675,867)**	(111,935)
Balance at the end of the year	**3,207,349**	250,345

13. OPERATING FIXED ASSETS

	Note	2011	2010
		----Rupees in '000----	
Capital work-in-progress	13.1	**17,591**	8,863
Property and equipment	13.2	**1,418,793**	1,273,932
Intangible assets	13.3	**1,628,499**	1,600,146
		3,064,883	2,882,941

13.1 Capital work-in-progress

	2011	2010
Property and equipment		
Civil works	**3,744**	-
Advances for purchase of furniture & fixtures	**2,744**	-
Advance for purchase of vehicles	**2,484**	-
Advance for purchase of equipment	**8,619**	8,863
Intangible		
Computer software	**-**	-
	17,591	8,863

13.2 Property and equipment

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

	COST				ACCUMLATED DEPRECIATION					
	As at January 01, 2010	Additions	Deletions	As at December 31, 2010	As at January 01, 2010	Depreciation On Deletions	Charge for the year	As at December 31, 2010	Book value as at December 31, 2010	Rate %
	----Rupees in '000----									
Building on free hold land	55,478	-	-	55,478	225		899	1,124	54,354	1.01 - 10.0
Building on lease hold land	331,200	1,100	-	342,300	13,586		6,846	20,432	321,868	1.02 - 4.78
		10,000*	-							
Lease hold improvements	444,112	23,971	(26,484)	441,599	58,975	(12,547)	43,585	90,013	351,586	10
Furniture and fixture	120,234	19,750	(7,291)	132,693	24,972	(1,352)	15,337	38,957	93,736	10 - 20
Electrical, office and computer equipment	621,115	60,665	(11,400)	670,380	193,610	(4,587)	121,286	310,309	360,071	12.5 - 33.3
Vehicles	166,391	28,090	(11,094)	183,387	61,527	(5,682)	35,225	91,070	92,317	20
	1,738,530	133,576	(56,269)	1,825,837	352,895	(24,168)	223,178	551,905	1,273,932	
		10,000*								

13.2.1 Included in cost of property and equipment are fully depreciated items still in use having cost of Rs. 282.109 (2010: Rs.96.609) million.

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

Particulars	Cost	Accumulated depreciation	Written down value	Sale proceeds	Profit / (loss)	Mode of disposal	Buyer's particulars
	-----------------------	----------------------	Rupees in '000	----------------------			
Vehicles							
Honda civic	1,859	960	899	1,800	901	Insurance Claim	EFU GENERAL INSURANCE LTD. 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Honda civic	1,506	1,305	201	1,450	1,249	Negotiation	HONDA SITE C-1 SITE Mangopir Road, Karachi
Honda civic	1,506	1,255	251	1,505	1,254	Negotiation	MAJ. BASIT ALI (JS STAFF)
Toyota corolla	1,414	401	1,013	1,414	401	Insurance Claim	EFU GENERAL INSURANCE LTD. 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Honda civic	1,376	1,215	161	1,350	1,189	Insurance Claim	EFU GENERAL INSURANCE LTD. 1st Floor Kashif Centre Main Shahra-e-faisal Karachi"
Toyota corolla	1,319	769	550	1,100	550	Insurance Claim	EFU GENERAL INSURANCE LTD. 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Toyota corolla	1,040	659	381	1,056	675	Negotiation	IRFAN MOTEN
Toyota corolla	993	712	281	975	694	Insurance Claim	EFU GENERAL INSURANCE LTD. 1st Floor Kashif Centre Main Shahra-e-faisal Karachi
Suzuki Cultus	835	445	390	740	350	Negotiation	HAIDER ALI TALPUR (STAFF) H. No. 120, Manak G Street Garden East Karachi
Suzuki Cultus	835	445	390	750	360	Negotiation	WAQAR MOTORS (Khurram Shahzad Rana) H. No. 38/3, Konal Park Gulberg Lahore"
Suzuki Cultus	682	432	250	640	390	Negotiation	IMRAN H.SHEIKH (STAFF)
Toyota Hilux Surf	2,388	319	2,069	1,900	(169)	Negotiations	Nadir Rahman -Ex Employee
Toyota Corolla	1,434	191	1,243	1,400	157	Negotiations	Mirza Khalid Murtaza
Suzuki Mehran	472	181	291	817	526	Loan Basis	Mr. Shahid Kamal- Ex Employee
Furniture and fixture							
Furniture	556	179	377	537	160	Insurance Claim	"EFU GENERAL INSURANCE LTD. 1st Floor Kashif Centre Main Shahra-e-faisal Karachi"
Others (Note 13.2.3)	25,734	15,350	10,384	7,653	7,245	Various	Various
	43,949	**24,821**	**19,130**	**25,087**	**15,933**		

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

13.3 Intangible assets

	Note	COST			ACCUMLATED AMORTISATION / IMPAIRMENT					
		As at January 01, 2011	Additions	As at December 31, 2011	As at January 01, 2011	Amortisation On Deletions	Charge for the year	As at December 31, 2011	Book value as at December 31, 2011	Rate %
		-----Rupees in '000-----								
Stock exchange card	13.3.1	**32,000**	**-**	**32,000**	**-**	**-**	**-**	**-**	**32,000**	**-**
Merchantile exchange card	13.3.2	**2,500**	**-**	**2,500**	**-**	**-**	**-**	**-**	**2,500**	**-**
Computer software		**160,594**	**22,289**	**182,883**	**35,072**	**-**	**17,436**	**52,508**	**130,375**	**10**
Goodwill	13.3.3	**1,463,624**	**-**	**1,463,624**	**-**	**-**	**-**	**-**	**1,463,624**	**-**
		1,658,718	**22,289**	**1,681,007**	**35,072**	**-**	**17,436**	**52,508**	**1,628,499**	

	Note	COST			ACCUMLATED AMORTISATION / IMPAIRMENT					
		As at January 01, 2011	Additions	As at December 31, 2011	As at January 01, 2011	Amortisation On Deletions	Charge for the year	As at December 31, 2011	Book value as at December 31, 2011	Rate %
		-----Rupees in '000-----								
Stock exchange card	13.3.1	21,000	(10,000)*	11,000	-	-	-	-	11,000	-
Computer software		146,687	13,907	160,594	19,593	-	15,479	35,072	125,522	10
Goodwill	13.3.3	1,463,624	-	1,463,624	-	-	-	-	1,463,624	-
		1,631,311	13,907	1,635,218	19,593	-	15,479	35,072	1,600,146	
			(10,000)*							

13.3.1 This represents membership cards of Karachi and Islamabad Stock Exchange. It has an indefinite useful life and is carried at cost.

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

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

13.3.4 **Key assumptions used in value in use calculation**

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

	2011	2010
Discount rate	**23.86%**	25.90%
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. 769.125 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 (%)
Cost of equity	1.86
Terminal growth rate	(3.17)

14. DEFERRED TAX ASSETS

	Note	2011	2010
		----Rupees in '000----	
Deferred tax debits arising from:			
Unused tax losses	14.1	**1,248,585**	1,310,758
Provision against investments and loans		**254,045**	231,692
Unrealized loss of revaluation of investment classified as held for trading		**1,053**	-
Deferred cost		**235**	471
Provision for gratuity		**26,371**	-
Minimum tax		**86,140**	-
Deficit on revaluation of assets		**15,120**	-
Deferred tax credits arising due to:			
Fixed assets		**(139,284)**	(144,280)
Goodwill		**(256,134)**	(205,048)
Unrealized gain on revaluation of forward foreign exchange contracts		**(1,436)**	-
Share of profit from associate		**(3,412)**	-
Surplus on revaluation of assets		**(2,527)**	(8,980)
		1,228,756	1,184,613

14.1 Included herein is a sum of NIL (2010: Rs.5.989) million and Rs.305.885 (2010: Rs.390.988) million representing deferred tax asset relating to Jahangir Siddiqui Investment Bank Limited and American Express Bank Limited - Pakistan Branch, respectively, in respect of tax losses, expected to be available for carry forward and set off against the income of the Bank in terms of Section 57A of the Income Tax Ordinance, 2001. In addition, it also includes deferred tax asset set up in respect of tax loss of the Bank. The management of the Bank believes that based on the projections of future taxable profit, it would be able to realise these tax losses in the future.

14.2 The management of the Bank has prepared a five year business plan which has been approved by the Board of Directors of the Bank. The business plan involves certain key assumptions underlying the estimation of future taxable profits projected in the plan. 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 business plan and consequently the deferred tax asset will be fully realised in the future.

15. OTHER ASSETS

	Note	2011	2010
		----Rupees in '000----	
Income / mark-up accrued in local currency		**610,669**	501,783
Income / mark-up accrued in foreign currency		**14,891**	1,479
Trade receivable form brokerage & advisory business		**311,388**	-
Advances, deposits, advance rent and other prepayments		**194,312**	133,904
Taxation (payments less provision)		**54,968**	58,976
Receivable against bancaassurance from a related party		**8,396**	10,798
Dividend receivable on preference shares from related parties		**3,475**	-
Stationery and stamps on hand		**3,196**	1,459
Prepaid exchange risk fee		**364**	391
Trustee fee receivable from a related party		**-**	-
Unrealised gain on forward foreign exchange contracts - net		**4,103**	4,978
Receivable from other banks in respect of remittance	15.1	**178,159**	55,019
Others		**39,664**	7,526
		1,423,585	776,313

15.1 This includes an amount of Rs. 150.085 (2010: 32.101) million receivable from State Bank of Pakistan in respect of home remittance services provided by the Bank.

16. BILLS PAYABLE

	2011	2010
In Pakistan	**1,242,139**	364,197
Outside Pakistan	**4,855**	5,423
	1,246,994	369,620

17. BORROWINGS

	2011	2010
In Pakistan	**3,170,240**	5,520,237
Outside Pakistan	**1,560**	4,173
	3,171,800	5,524,410

17.1 Particulars of borrowings with respect to currencies

	2011	2010
In local currency	**3,170,240**	5,520,237
In foreign currencies	**1,560**	4,173
	3,171,800	5,524,410

	Note	2011	2010
		----Rupees in '000----	
17.2 Details of borrowings from financial institutions			
Secured			
Borrowing from SBP under export refinancing scheme	17.2.1	**1,248,000**	1,237,017
Repurchase agreement borrowings	17.2.2	**1,922,240**	3,883,220
		3,170,240	5,120,237
Unsecured			
Call borrowings	17.2.3	**-**	400,000
Overdrawn nostro accounts	17.2.4	**1,560**	4,173
		1,560	404,173
		3,171,800	5,524,410

17.2.1 The Bank has entered into agreement with the State Bank of Pakistan (SBP) for extending export finance to customers. As per the terms of the agreement, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of finances by directly debiting the current account maintained by the Bank with SBP. These borrowings are repayable on a quarterly basis and carry mark-up at the rate ranging between 10.0% and 10.5% (2010: 9% and 10%) per annum.

17.2.2 This represents collateralised borrowing from various commercial banks against Market Treasury Bills carrying mark-up at the rate ranging between 11.63% and 11.90% (2010: 12.70% and 13.10%) per annum and would mature in January 2012 (2010: January to March 2011).

17.2.3 These represent call money borrowings from financial institutions, carrying interest at the rates ranging between NIL (2010: 12.25% and 13.35%) per annum.

17.2.4 This represents borrowings of Rs.1.560 (2010: Rs.4.173) million from various commercial banks, outside Pakistan.

	2011	2010
	----Rupees in '000----	
18. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	**14,252,810**	8,728,524
Savings deposits	**11,404,426**	8,097,181
Current accounts - non-remunerative	**11,293,377**	6,896,222
Margin account	**94,834**	47,131
	37,045,447	23,769,058
Financial Institutions		
Remunerative deposits	**3,054,842**	2,444,461
Non-remunerative deposits	**74,062**	62,809
	3,128,904	2,507,270
	40,174,351	26,276,328

18.1 Particulars of deposits		
In local currency	**37,181,569**	24,029,657
In foreign currencies	**2,992,782**	2,246,671
	40,174,351	26,276,328

19. OTHER LIABILITIES

	Note	2011	2010
		----Rupees in '000----	
Mark-up / return / interest payable in local currency	19.1	**249,514**	390,276
Mark-up / return / interest payable in foreign currency		**1,958**	1,456
Trade payable form brokerage business		**319,143**	-
Advance fee from clients - Advisory business		**3,277**	-
Accrued expenses		**213,162**	144,012
Payable in respect of defined benefit plan	34.4	**75,345**	58,009
Provision for Workers' Welfare Fund		**4,634**	-
Payable against capital expenditure		**-**	20,822
Customer insurance payable		**3,695**	6,357
Payable against purchase of marketable securities		**-**	683,163
Unclaimed dividends		**6,760**	4,274
Government duties		**10,268**	9,333
Lease key money deposit		**43,875**	9,102
Payable against remittance		**88,538**	21,038
Others		**108,275**	27,161
		1,128,444	1,375,003

19.1 Included herein is a sum of Rs. NIL (2010: Rs.1.099) million payable to related parties.

20. SHARE CAPITAL

20.1 Authorised capital

2011	2010		Note	2011	2010
----Number of Shares----				----Rupees in '000----	
1,200,000,000	1,200,000,000	Ordinary shares of Rs.10 each		**12,000,000**	12,000,000

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

2011	2010		Note	2011	2010
----Number of Shares----				----Rupees in '000----	
538,558,965	538,558,965	Issued for cash	20.2.1	**5,385,590**	5,385,590
461,734,037	276,412,500	Issued for consideration other than cash		**4,617,340**	2,764,125
1,000,293,002	814,971,465			**10,002,930**	8,149,715

20.2.1 During the year, the Board of Directors of the Bank in their meeting held on May 18, 2011 and the shareholders of the Bank in the extraordinary general meeting held on June 15, 2011 approved acquisition of shares of JS Global Capital Limited (JSGCL) from Jahangir Siddiqui & Co. Limited and other shareholders of JSGCL in exchange of issuance of new shares of the Bank. After obtaining all regulatory approvals, 25,525,169 shares of JSGCL (21,734,826 shares from JSCL & 3,790,343 shares from other shareholders of JSGCL) were acquired in exchange for issuance of 185,321,537 shares of the Bank in two allotments made on October 22, 2011 and December 20, 2011.

20.2.2 JSCL held 683,368,538 (2010: 525,566,192) Ordinary shares of Rs.10 each as at December 31, 2011 representing 68.32% (2010: 64.49%) holding.

	2011	2010
	----Rupees in '000----	

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

(Deficit) / surplus arising on revaluation of available-for-sale securities:

	2011	2010
Term Finance Certificates - listed	**(4,716)**	(6,651)
Ordinary shares - listed	**(724)**	28,248
Preference shares - listed	**-**	-
Closed end mutual funds	**6,146**	11,270
Open end mutual funds	**324**	46,355
US dollar bonds	**(15,373)**	1,598
Government securities	**(28,857)**	(55,161)
	(43,200)	25,659
Less: Related deferred tax asset / (liability)	**15,120**	(8,980)
	(28,080)	16,679

22. CONTINGENCIES AND COMMITMENTS

22.1 Transaction-related contingent liabilities

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

	2011	2010
i) Government	**890,007**	540,390
ii) Banking companies and other financial institutions	**98,165**	16,493
iii) Others	**203,562**	548,175
	1,191,734	1,105,058

22.2 Trade-related contingent liabilities

	2011	2010
Documentary credits	**2,921,223**	1,588,191

22.3 Other contingencies

	2011	2010
Claims not acknowledged as debts	**66,481**	66,481

22.4 Commitments in respect of forward exchange contracts

	2011	2010
Purchase	**1,948,987**	2,874,196
Sale	**1,446,561**	1,815,855

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

22.5 Commitments in respect of forward lending

	2011	2010
Forward commitments to extend credit	**214,800**	434,000

22.6 Other commitments

	2011	2010
Future commitments in respect of sale of equity and other securities	**22,660**	-
Commitment in respect of capital expenditure	**8,438**	14,993

23. DERIVATIVE INSTRUMENTS

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

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

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

Accounting policies in respect of derivative financial instruments are described in note 6.6.2.

	Note	2011	2010
		----Rupees in '000----	
24. MARK-UP / RETURN / INTEREST EARNED			
On loans and advances to:			
Customers		**2,013,332**	1,433,974
Financial institutions		**147,672**	226,106
On investments in:			
Available-for-sale securities		**1,478,564**	1,386,419
Held-for-trading securities		**527,786**	3,956
On deposits with financial institutions		**2,541**	8
On securities purchased under resale agreements		**149,357**	249,304
		4,319,252	3,299,767
25. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		**2,102,314**	1,597,987
Securities sold under repurchase agreements		**305,137**	452,259
Borrowings		**176,227**	204,768
		2,583,678	2,255,014
26. FEE, COMMISSION AND BROKERAGE INCOME			
Advisory fee		**9,958**	4,360
Brokerage income		**3,895**	-
Trustee fee		**3,896**	2,513
Other fees, commission and charges	26.1	**337,548**	189,342
		355,297	196,215

26.1 This includes Rs. 63.322 (2010: 24.414) million in respect of commission income from home remittance services provided by the Bank. The amount is received from State Bank of Pakistan at the rate of Saudi Riyal 25 per transaction over USD 100 and is shared between the Bank and various exchange companies as per terms of agreement with them.

27. GAIN ON SALE OF SECURITIES - net

	2011	2010
	----Rupees in '000----	
Federal Government Securities		
- Treasury Bills	**112,930**	4,254
- Pakistan Investment Bonds	**141,563**	28,259
Ordinary shares - listed	**(16,364)**	(20,509)
Term Finance Certificates	**26,688**	18,667
US Dollar Bonds	**3,218**	2,261
Mutual Fund Units / Certificates	**(20,163)**	15,906
	247,872	48,838

27.1 Included herein a sum of Rs. 15.72 (2010: Rs. 0.60) million representing loss arising on sale of shares / units of a related party.

28. ADMINISTRATIVE EXPENSES

	Note	2011	2010
		----Rupees in 000----	
Salaries, wages, allowances, etc.		**781,169**	645,610
Charge for defined benefit plan		**17,336**	21,721
Contribution to defined contribution plan		**34,386**	31,169
Non-executive directors' fee, allowances		**-**	-
and other expenses		**313**	300
Provision for Workers' Welfare Fund		**196**	-
Contractor wages		**92,305**	74,661
Brokerage, fee and commission		**13,509**	14,153
Royalty		**269**	-
Rent, taxes, insurance, electricity, etc.		**378,512**	333,074
Legal and professional charges		**12,172**	6,531
Communication		**69,171**	75,309
Repairs and maintenance		**207,716**	149,061
Travel and other related expenses		**11,671**	9,564
Stationery and printing		**44,640**	37,835
Advertisement and publicity		**48,881**	33,416
Postage and courier service		**14,000**	10,103
Stamp duty		**1,581**	1,701
CDC and other charges		**3,571**	1,443
Bank charges and clearing house charges		**25,188**	17,872
Consultancy fee		**24,797**	28,616
Security services		**44,194**	44,059
Fees and subscription		**16,642**	26,146
Auditors' remuneration	28.1	**3,159**	4,666
Depreciation	13.2	**226,620**	223,178
Amortisation of intangible assets	13.3	**17,436**	15,479
Amortization of deferred cost		**-**	-
Staff training		**1,976**	1,001
Others		**20,124**	40,172
		2,111,534	1,846,840

28.1 Auditors' Remuneration

	2011	2010
Audit fee	**1,200**	1,200
Half-yearly review	**400**	400
Special certification and Tax Fee	**1,525**	2,730
Out of pocket expenses	**34**	336
	3,159	4,666

	2011	2010
	----Rupees in '000----	
29. OTHER CHARGES		
Penalties imposed by State Bank of Pakistan	**7,840**	686

30. TAXATION

Under Section 114 of the Income Tax Ordinance, 2001, the Bank has filed the returns of income for the tax years 2006 through 2011 on due dates. The said returns are deemed to be assessed under the provisions of the prevailing income tax law as applicable in Pakistan during the relevant accounting years.

Tax authorities have issued notices for the amendment of assessments for the tax years 2008 to 2010. Since such proceedings have not yet been concluded by the authorities, therefore, any estimate of tax exposure cannot be determined at this stage. Moreover, withholding tax monitoring by LTU, Karachi for tax years 2010 and 2011 has also been initiated. For the tax year 2011, such monitoring is being carried out with respect to salaries and profit on debt, however, for tax year 2010 the monitoring is being carried out with respect to profit on debt u/s 151 of the Income Tax Ordinance, 2001. As the said proceedings are currently underway, therefore, tax exposure, if any, cannot be determined at this stage. Moreover, previously monitoring for tax year 2008 and 2009 was also taken by Regional Tax Office, Karachi but due to the transferring of Bank's jurisdiction to LTU by the Federal Board of Revenue (FBR) during such proceedings, the same has not been taken up again by LTU authorities as yet.

		2011	2010
31. EARNINGS / (LOSS) PER SHARE - BASIC AND DILUTED			
Profit / (loss) for the year after taxation	(Rupees in '000)	**361,645**	(407,479)
Weighted average number of Ordinary shares outstanding during the year	(Number)	**858,615,404**	620,476,609
Earnings / (loss) per share - basic and diluted	(Rupee)	**0.42**	(0.66)

There is no dilution effect on basic earnings per share.

	2011	2010
	----Rupees in '000----	
32. CASH AND CASH EQUIVALENTS		
Cash and balances with treasury banks	**3,880,782**	2,533,509
Balances with other banks	**165,067**	683,099
Overdrawn nostro account	**(1,560)**	(4,173)
	4,044,289	3,212,435

32.1 Non-cash transactions

During the year, the Bank acquired 51.05% shareholding of JS Global Capital Limited amounting to Rs. 1,323.812 million in a share-exchange arrangement. The issuance and acquisition of shares, being a non-cash financing and investing activity, is not reflected in the unconsolidated cash flow statement.

	2011	2010
33. STAFF STRENGTH	---Number----	
Permanent	**1,056**	830
Temporary / on contractual basis	**65**	13
Own staff strength at the end of the year	**1,121**	843
Outsourced	**498**	412
	1,619	1,255

34. DEFINED BENEFIT PLAN

34.1 General description

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

34.2 Number of employees under the schemes

The number of employees covered under the following defined benefit scheme is 952 (2010: 830).

34.3 Principal actuarial assumptions

The actuarial valuations were carried out on December 31, 2011 based on the Projected Unit Credit Method, using the following significant assumptions:

	2011	2010	Source of estimation
Discount rate	**12.50%**	14.00%	Yield on government bonds
Expected rate of salary increase	**12.50%**	14.00%	Linked to seniority, promotion, future salary increase and supply and demand in employment market

	2011	2010
	----Rupees in '000----	
34.4 Reconciliation of payable to defined benefit plan		
Present value of defined benefit obligation	**61,399**	49,634
Net actuarial losses not recognised	**12,814**	8,860
Unrecognised transitional liability	**-**	(485)
Past service cost - non vested	**1,132**	-
	75,345	58,009
34.5 Movement in payable to defined benefit plan		
Opening net liability	**58,009**	36,288
Expense for the year	**17,336**	21,721
Benefits paid to employees	**-**	-
Closing net liability	**75,345**	58,009
34.6 Charge for defined benefit plan		
Current service cost	**22,304**	15,224
Interest cost	**6,949**	6,012
Transitional liability recognised	**485**	485
Curtailment gain	**(7,488)**	-
Acturial gain / loss recognized	**(1,917)**	-
Past service cost - vested	**(2,997)**	-
	17,336	21,721

	2011	2010	2009
	----------------Rupees in ‘000----------------		
34.7 Three year data on plans and experience adjustments			
Present value of defined benefit obligation	**61,399**	49,634	36,247
Experience adjustment on obligation - gain / (loss)	**7,848**	7,848	1,732

34.8 The Bank amortises transitional liability over a period of five years.

35. DEFINED CONTRIBUTION PLAN

The Group operates a contributory provident fund scheme for all permanent employees. The employer and employee both contribute 10% of the basic salaries to the funded scheme every month. Number of employees covered under this plan are 1056 (2010: 830). During the year, employees made a contribution of Rs.34.386 (2010: Rs.31.169) million to the fund. The Group has also made a contribution of equal amount to the fund.

36. COMPENSATION OF DIRECTORS AND EXECUTIVES

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

	Note	2011			
		President	Directors	Executives	Total
		------------------------ Rupees in ‘000 ------------------------			
Managerial remuneration		**8,954**	**6,194**	**209,231**	**224,379**
Defined contribution plan		**15**	**619**	**18,481**	**19,115**
Charge for defined benefit plan		**-**	**514**	**16,372**	**16,886**
Rent and house maintenance		**4,030**	**2,787**	**94,154**	**100,971**
Utilities		**888**	**619**	**20,910**	**22,417**
Medical		**33**	**11**	**3,284**	**3,328**
Conveyance and vehicle maintenance		**946**	**461**	**37,207**	**38,614**
Bonus		**4,000**	**4,076**	**56,290**	**64,366**
		18,866	**15,281**	**455,929**	**490,076**
Number of persons		**2**	**5**	**214**	**221**

	Note	2010			
		President	Directors	Executives	Total
		------------------------ Rupees in ‘000 ------------------------			
Managerial remuneration		8,620	6,194	178,161	192,975
Defined contribution plan		540	619	15,098	16,257
Charge for defined benefit plan		451	514	14,734	15,699
Rent and house maintenance		3,879	2,787	80,173	86,839
Utilities		862	619	17,816	19,297
Medical		21	19	2,829	2,869
Conveyance and vehicle maintenance		415	391	26,453	27,259
Bonus		-	1,600	18,026	19,626
		14,788	12,743	353,290	380,821
Number of persons	36.1	2	1	190	193

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

37. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments is based on quoted market price. Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the 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 41.3.4 to these financial statements.

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

38. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	2011							
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Payment and settlement	Brokerage	Others	Total
	Rupees in '000							
Total income - external	13,583	2,841,036	421,104	1,868,784	40,774	5,650	49,457	5,240,388
Inter-segment revenues - net	-	(1,712,569)	2,680,823	(968,254)	-	-	-	-
Total income	13,583	1,128,467	3,101,927	900,530	40,774	5,650	49,457	5,240,388
Total expenses	(2,614)	(494,044)	(3,298,590)	(817,457)	(28,311)	(7,463)	(54,573)	(4,703,052)
Tax expense	-	-	-	-	-	-	-	(49,443)
Deferred tax	-	-	-	-	-	-	-	(126,248)
Net income / (loss)	16,197	1,622,511	6,400,517	1,717,987	69,085	13,113	104,030	361,645
Segment assets (gross)	-	27,403,167	2,715,566	16,235,609	-	228,700	8,433,332	55,016,374
Segment non performing loans	-	-	42,945	2,733,950	-	-	-	2,776,895
Segment provision required	-	-	27,825	485,924	-	-	-	513,749
Segment liabilities	-	1,715,437	31,514,528	9,617,240	1,246,994	848,498	778,892	45,721,589
Segment return on net assets (ROA) (%)	-	10.74	10.98	13.60	-	1.15	-	-
Segment cost of funds (%)	-	11.31	6.58	9.05	-	-	-	-

	2010							
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Payment and settlement	Brokerage	Others	Total
	Rupees in '000							
Total income - external	7,347	1,867,293	310,082	1,361,480	26,267	-	-	3,572,469
Inter-segment revenues - net	-	(1,202,824)	1,818,300	(620,004)	-	-	4,528	-
Total income	7,347	664,469	2,128,382	741,476	26,267	-	4,528	3,572,469
Total expenses	(3,477)	(698,267)	(2,585,810)	(839,809)	(21,015)	-	(46,641)	(4,195,019)
Tax expense	-	-	-	-	-	-	-	(36,327)
Deferred tax	-	-	-	-	-	-	-	251,398
Net income / (loss)	3,870	(33,798)	(457,428)	(98,333)	5,252	-	(42,113)	(407,479)
Segment assets (gross)	-	20,291,070	1,233,122	13,018,121	-	-	5,368,758	39,911,071
Segment non performing loans	-	-	32,194	1,870,372	-	-	-	1,902,566
Segment provision required	-	-	19,197	508,227	-	-	-	527,424
Segment liabilities	-	4,970,556	21,107,614	6,153,952	369,620	-	943,619	33,545,361
Segment return on net assets (ROA) (%)	-	12.94	14.16	13.09	-	-	-	-
Segment cost of funds (%)	-	12.63	5.82	9.17	-	-	-	-

39. RELATED PARTY TRANSACTIONS

The Group has related party relationship with its associates, parent, companies having common directors, companies in which parent holds more than 20% shares, employee benefit plans, and its key management personnel (including their associates).

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

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

	Key management personnel		Other related parties		Total	
	2011	2010	2011	2010	2011	2010
	(Rupees in '000)					
Advances						
Opening balance	**3,423**	36,709	**2,994,330**	1,451,187	**2,997,753**	1,487,896
Disbursements	**42,692**	1,600	**7,387,316**	35,826,430	**7,430,008**	35,828,030
Repayments	**(6,464)**	(34,886)	**(7,405,962)**	(34,283,287)	**(7,412,426)**	(34,318,173)
Balance as at December 31	**39,651**	3,423	**2,975,684**	2,994,330	**3,015,335**	2,997,753
Mark-up / return / interest earned	**3,480**	2,316	**401,684**	261,242	**405,164**	263,558

	Parent		Key management personnel		Other related parties		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	(Rupees in '000)							
Deposits								
Opening balance								
Deposits during the year	**1,799**	63,228	**9,695**	24,175	**1,171,815**	1,085,217	**1,183,309**	1,172,620
Withdrawals during the year	**2,535,433**	183,216	**173,263**	184,573	**24,388,352**	179,664,484	**27,097,048**	180,032,273
Balance as at December 31	**(1,976,414)**	(244,645)	**(171,964)**	(199,053)	**(24,410,008)**	(178,933,451)	**(26,558,386)**	(179,377,149)
	560,818	1,799	**10,994**	9,695	**1,150,159**	1,816,250	**1,721,971**	1,827,744
Mark-up / return / interest expensed	**11,268**	360	**139**	381	**134,699**	117,455	**146,106**	118,196

The related party status of outstanding receivables and payables as at December 31, 2011 is included in respective notes to the financial statements. Material transactions with related parties are given below:

Nature of transactions	Companies having common directorship 2011	Companies having common directorship 2010	Companies in which parent company holds 20% or more 2011	Companies in which parent company holds 20% or more 2010	Other related parties 2011	Other related parties 2010	Total 2011	Total 2010
	(Rupees in '000)							
Sale of Term Finance Certificates	**-**	218,013	**-**	213,649	**41,419**	-	**41,419**	431,662
Purchase of Term Finance Certificates	**-**	-	**-**	231,901	**-**	-	**-**	231,901
Sale of Government Securities	**24,072,927**	6,302,098	**1,288,844**	9,784,282	**186,729**	26,199	**25,548,500**	16,112,579
Purchase of Government Securities	**1,225,435**	519,974	**1,938**	4,632,927	**-**	-	**1,227,373**	5,152,901
Purchase of Sukuk	**-**	-	**-**	-	**-**	-	**-**	-
Sale of Sukuk / Ijara	**104,448**	35,000	**-**	-	**-**	-	**104,448**	35,000
Sale of shares / Units	**-**	-	**377,160**	310,286	**-**	53,748	**377,160**	364,034
Purchase of shares / Units	**-**	-	**737,670**	200,000	**-**	-	**737,670**	200,000
Subscription in right shares	**22,560**	-	**-**	-	**127,374**	-	**149,934**	-
Purchase of fixed assets	**-**	-	**-**	37	**-**	-	**-**	37
Rent Receivable	**-**	-	**966**	-	**-**	-	**966**	-
Call lending / Reverse Repo	**-**	-	**1,705,000**	3,515,000	**-**	-	**1,705,000**	3,515,000
Call borrowing / Repo	**-**	-	**14,850,000**	5,985,000	**-**	-	**14,850,000**	5,985,000
Purchase of forward foreign exchange contracts	**-**	-	**4,946,891**	4,357,771	**-**	-	**4,946,891**	4,357,771
Sale of forward foreign exchange contracts	**-**	-	**6,506,439**	4,818,193	**-**	-	**6,506,439**	4,818,193
Goods purchased	**-**	-	**-**	-	**119**	-	**119**	-
Redemption of Term Finance Certificate	**-**	-	**-**	12,048	**-**	-	**-**	12,048
Insurance claim received	**10,937**	4,181	**-**	-	**8**	-	**10,945**	4,181
Services received	**-**	200	**-**	-	**-**	853	**-**	1,053
Reimbursement of expenses	**35**	-	**17**	3,849	**42**	-	**94**	3,849
Payment of insurance premium	**30,791**	27,688	**-**	-	**-**	-	**30,791**	27,688
Services rendered	**-**	25	**822**	44	**-**	-	**822**	69
Underwritten commission paid	**-**	3,033	**-**	-	**-**	-	**-**	3,033
Redemption of Units	**-**	-	**164,267**	-	**-**	-	**164,267**	-
Rent expense paid / accrued	**-**	-	**106**	2,255	**34**	-	**140**	2,255
Commission paid / accrued	**-**	-	**-**	2,996	**-**	-	**-**	2,996
Commission income	**70,441**	43,070	**1,942**	3,943	**3,640**	5,747	**76,023**	52,760
Dividend income	**-**	-	**6,096**	5,083	**-**	-	**6,096**	5,083
Consultancy fee	**-**	-	**-**	-	**2,800**	2,486	**2,800**	2,486
Royalty	**-**	-	**-**	-	**250**	-	**250**	-
Sale of units of JS Cash Fund	**-**	-	**-**	-	**1,250**	-	**1,250**	-

Nature of transactions	Parent company 2011	Parent company 2010
	(Rupees in '000)	
Subscription in right shares	**1,127,233**	391,211
Purchase of Government Securities	**597,478**	-
Rent expense paid / accrued	**1,448**	-
Reimbursement of expenses	**45**	-
Purchase of fixed assets	-	95
	1,726,204	391,306

40. CAPITAL ASSESSMENT AND ADEQUACY BASEL II SPECIFIC

40.1 Scope of application

Basel II Framework is applicable to the Bank both at consolidated level (comprising of partly owned subsidiary - JS Global Capital Limted) and also on stand alone basis.

40.2 Capital structure

Bank's regulatory capital is analyzed into two tiers:

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

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

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

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

	2011	2010
	----Rupees in '000----	
Tier I Capital		
Shareholders equity / assigned capital	**10,002,930**	8,149,715
Reserves	**89,978**	18,040
Discount on issue of right shares	**(1,944,880)**	(1,415,477)
Non-controlling interest	**1,303,146**	-
Accumulated losses	**(642,058)**	(930,671)
	8,809,116	5,821,607
Less: Goodwill, other intangible assets and deficit on account of revaluation of available-for-sale portfolio etc.	**1,630,295**	1,600,146
Shortfall in provisions required against classified assets irrespective of any relaxation allowed	**-**	522,994
Deficit on account of revaluation of investments held in AFS category	**43,200**	-
	1,673,495	2,123,140
Total Tier I Capital	**7,135,621**	3,698,467
Tier II Capital		
General provisions subject to 1.25% of total risk weighted assets	**1,083**	2,060
Revaluation reserve (upto 45%)	**-**	11,547
	1,083	13,607
Total Tier II Capital	**1,083**	13,607
Eligible Tier III Capital	-	-
Total regulatory capital base	**7,136,704**	3,712,074

40.3 Capital adequacy

Capital management

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

Statutory minimum capital requirement and management of capital

The State Bank of Pakistan through its BSD Circular No. 07 dated April 15, 2009 requires the minimum paid up capital (net of losses) for Banks / Development Finance Institutions (DFIs) to be raised to Rs.10 billion by the year ending December 31, 2013. This increase in capital is to be achieved in a phased manner requiring Rs.8 billion paid up capital (net of losses) by the end of the financial year 2011.

The paid up capital (net of losses) of the Bank as at December 31, 2011 stood at Rs.7.415 billion. The Bank plans to meet the shortfall in equity capital through further issuance of shares as disclosed in note 1.3.

In addition, the Group was also required to maintain a minimum Capital Adequacy Ratio (CAR) of 10% of the risk weighted exposure of the Group. Group's CAR as at December 31, 2011 was 23.75% of its risk weighted exposures.

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

40.4 Risk Weighted Exposures

	Capital requirements		Risk weighted assets	
	2011	2010	2011	2010
	---------------------- Rupees in '000 ----------------------			
Credit Risk				
Portfolios subject to standardised approach				
Corporate	**1,459,345**	1,167,559	**14,593,448**	11,675,589
Retail	**32,637**	18,857	**326,373**	188,572
Banks and DFIs	**71,210**	82,299	**712,102**	822,988
Public sector entity	**1,393**	767	**13,932**	7,668
Sovereign (include GoP and SBP)	**-**	-	**-**	-
Residential mortgage finance	**7,815**	5,634	**78,148**	56,337
Past due loans	**325,095**	90,101	**3,250,950**	901,006
Fixed assets	**143,459**	128,280	**1,434,588**	1,282,795
Other assets	**180,651**	139,431	**1,806,512**	1,394,313
Off balance sheet - non market related	**164,566**	127,593	**1,645,655**	1,275,927
Off balance sheet - market related	**1,326**	1,489	**13,263**	14,890
Equity exposure risk in the banking book	**86,754**	95,218	**867,541**	952,176
Market risk				

Capital requirement for portfolios subject to standardised approach

	Capital requirements		Risk weighted assets	
	2011	2010	2011	2010
	---------------------- Rupees in '000 ----------------------			
Interest rate risk	**60,722**	9,927	**759,025**	124,088
Equity position risk	**126,196**	-	**1,577,450**	-
Foreign exchange risk	**3,091**	27,812	**38,632**	347,650
Operational risk				
Capital requirement for operational risks	**234,790**	160,252	**2,934,874**	2,003,145
Total	**2,899,050**	2,055,219	**30,052,493**	21,047,144

Capital Adequacy Ratio

		2011	2010
Total eligible regulatory capital held	(a)	**7,136,704**	3,712,074
Total risk weighted assets	(b)	**30,052,493**	21,047,144
Capital adequacy ratio	(a) / (b)	**23.75%**	17.64%

41. RISK MANAGEMENT

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

a) The individuals who take or manage risks, clearly understand it;

b) The Group's Risk exposure is within the limits established by Board of Directors (BoD);

c) Risk taking decisions are in line with the business strategy and objectives set by BoD;

d) The expected payoffs compensate for the risks taken;

e) Risk taking decisions are explicit and clear;

f) Sufficient capital as a buffer is available to take risk; and

g) Risk management function is independent of risk taking unit.

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

Risk management framework of Group includes:

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

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

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

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

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

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

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

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

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

a) Credit Risk Management (CRM) including both Corporate / Commercial and Retail Banking 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 Implementation

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

Risk matrix / categories

Bank, in common with other banks, generates its revenues by accepting country, credit, liquidity, interest rate risk in the Banking Book, market, operational and other risks. Effective management of these risks is the decisive factor in the Bank's profitability.

Risk Appetite

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

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

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

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

41.1 Credit Risk

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

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

41.1.1 Segmental Information

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

	2011					
	Advance (gross)		Deposits		Contingnecies and commitment	
	Rupees in “000	Percent %	Rupees in “000	Percent %	Rupees in “000	Percent %
41.1.1.1 Segment by class of business						
Mining and quarrying	462,190	2.49	30,904	0.08	95	-
Textile	3,654,453	19.71	304,080	0.76	1,031,700	13.19
Chemical and pharmaceuticals	2,091,210	11.28	799,950	1.99	958,123	12.25
Fertilizer	-	-	-	-	369,041	4.72
Automobile and transportation equipment	100,326	0.54	50,890	0.13	125,163	1.60
Electronics and electrical appliances	286,129	1.54	101,613	0.25	151,855	1.94
Construction	68,602	0.37	267,540	0.67	52,710	0.67
Power, gas, water and sanitary	9,920	0.05	60,836	0.15	217,520	2.78
Paper/board/furniture	9,908	0.05	1,165	-	99,382	1.27
Petroleum/oil and gas	-	-	-	-	136,477	1.75
Food/confectionery/beverages	1,915,471	10.33	110,031	0.27	297,318	3.80
Trust and non-profit organisations	11,024	0.06	4,263,356	10.61	12,073	0.15
Wholesale and retail trade	114,804	0.62	791,602	1.97	-	-
Transport, storage and communication	664,974	3.59	592,877	1.48	9,894	0.13
Financial	851,907	4.59	2,675,741	6.66	3,864,843	49.42
Insurance	25,006	0.13	452,724	1.13	-	-
Services	134,760	0.73	602,065	1.50	770	0.01
Cement	19,863	0.11	119,003	0.30	-	-
Sugar	1,710,774	9.23	29,476	0.07	165,000	2.11
Individuals	2,600,338	14.02	24,666,794	61.40	16,526	0.21
Others	3,811,974	20.56	4,253,704	10.58	312,394	4.00
	18,543,633	100	40,174,35	100	7,820,884	100

	2010					
	Advance (gross)		Deposits		Contingnecies and commitment	
	Rupees in "000	Percent %	Rupees in "000	Percent %	Rupees in "000	Percent %
Mining and quarrying	527,543	3.64	153,628	0.58	96	-
Textile	1,645,174	11.34	191,026	0.73	457,312	5.79
Chemical and pharmaceuticals	2,063,043	14.22	30,750	0.12	493,805	6.25
Fertilizer	-	-	-	-	266,134	3.37
Automobile and transportation equipment	175,135	1.21	52,214	0.20	62,208	0.79
Electronics and electrical appliances	219,674	1.51	190,864	0.73	83,383	1.06
Construction	20,783	0.14	115,023	0.44	179,728	2.28
Power, gas, water and sanitary	352,160	2.43	155,280	0.59	52,149	0.66
Paper and board	-	-	2,249	0.01	196,880	2.49
Petroleum / oil and gas	-	-	-	-	60,250	0.76
Food/confectionery/beverages	1,334,238	9.20	31,431	0.12	247,626	3.13
Trust and non-profit organisations	22,414	0.15	4,087,958	15.56	12,073	0.15
Wholesale and retail trade	246,250	1.70	-	-	-	-
Transport, storage and communication	455,032	3.14	493,188	1.88	11,000	- 0.14
Financial	1,296,546	8.94	2,362,963	8.99	5,569,615	70.51
Insurance	100,000	0.69	144,307	0.55	-	
Services	-	-	-	-	771	0.01
Cement	305,394	2.11	13,928	0.05	-	-
Sugar	1,212,107	8.36	3,229	0.01	-	-
Individuals	2,428,836	16.74	15,357,866	58.45	32,687	0.41
Others	2,101,208	14.48	2,890,424	10.99	173,058	2.20
	14,505,537	100	26,276,328	100	7,898,774	100

41.1.1.2 Segment by sector

2011

	Advance (gross) Rupees in "000	Advance (gross) Percent %	Deposits Rupees in "000	Deposits Percent %	Contingnecies and commitment Rupees in "000	Contingnecies and commitment Percent %
Public / Government	**3,533**	**0.02**	**5,700,281**	**14.19**	**890,007**	**11.38**
Private	**18,540,100**	**99.98**	**34,474,070**	**85.81**	**6,930,877**	**88.62**
	18,543,633	**100**	**40,174,351**	**100**	**7,820,884**	**100**

2010

	Advance (gross) Rupees in "000	Advance (gross) Percent %	Deposits Rupees in "000	Deposits Percent %	Contingnecies and commitment Rupees in "000	Contingnecies and commitment Percent %
Public / Government	150,000	1.03	1,098,935	4.18	540,390	6.84
Private	14,355,537	98.97	25,177,393	95.82	7,358,384	93.16
	14,505,537	100	26,276,328	100	7,898,774	100

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

	2011 Classified advance	2011 Specfic provision held	2010 Classified advance	2010 Specfic provision held
	----------Rupees in '000----------			
Textile	**636,842**	**96,273**	535,634	97,364
Automobile and transportation equipment	**56,895**	**26,058**	56,895	26,058
Electronics and electrical appliances	**-**	**-**	-	-
Chemical and pharmaceutical	**1,261,984**	**-**	561,000	-
Wholesale and retail trade	**-**	**-**	155,894	105,106
Financial	**185,575**	**81,087**	187,823	10,800
Individuals	**248,756**	**8,237**	57,345	20,855
Other	**386,843**	**301,011**	347,975	265,181
	2,776,895	**512,666**	1,902,566	525,364

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

Public / Government	**-**	**-**	-	-
Private	**2,776,895**	**512,666**	1,902,566	525,364
	2,776,895	**512,666**	1,902,566	525,364

41.1.1.5 Geographical segment analysis

	2011		2010	
	Total assets employed	Net assets employed	Total assets employed	Net assets employed
	---------Rupees in '000---------			
Pakistan	**54,502,625**	**8,781,036**	39,383,647	5,838,286

	2011		2010	
	Profit before taxation	Contingencies and commitents	Profit before taxation	Contingencies and commitents
	---------Rupees in ' 000---------			
Pakistan	**537,336**	**7,820,884**	(622,550)	7,898,774

41.1.2 Credit risk: Standardised approach

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

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

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

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

41.1.2.1 Credit exposures and comparative figures subject to the standardised approach

Exposures		Rating category No.	Rating risk weighted	2011 Amount outstanding	Deduction CRM	Net amount	Risk weighted asset
				----Rupees in '000----			
Cash and Cash Equivalents			0%	1,007,451	-	1,007,451	-
Corporate		0	0%	-	458,646	458,646	-
		1	20%	2,410,238	128,275	2,538,513	507,703
		2	50%	1,197,367	(200,103)	997,264	498,632
		3,4	100%	567,137	-	567,137	567,137
		5,6	150%	362,755	-	362,755	544,133
Unrated			100%	12,862,661	(386,818)	12,475,843	12,475,843
				17,400,158	-	17,400,158	14,593,448
Retail			0%	-	721,446	721,446	-
			20%	-	20,718	20,718	4,144
			50%	-	-	-	-
			75%	1,171,802	(742,164)	429,638	322,229
				1,171,802	-	1,171,802	326,373
Banks							
- Maturity Over 3 Months			0%	-	-	-	-
		1	20%	450,678	-	450,678	90,136
		2,3	50%	287,204	-	287,204	143,602
		4,5	100%	41,389	-	41,389	41,389
		6	150%	-	-	-	-
Unrated			50%	60,133	-	60,133	30,067
				839,404	-	839,404	305,194
- Maturity Upto and under 3 Months in FCY			0%	-	-	-	-
		1,2,3	20%	49,716	-	49,716	9,943
		4,5	50%	-	-	-	-
		6	150%	-	-	-	-
unrated			20%	36,665	-	36,665	7,333
				86,381	-	86,381	17,276
- Maturity Upto and under 3 Months in PKR			0%	-	1,407,455	1,407,455	-
			20%	3,355,615	(1,407,455)	1,948,160	389,632
				3,355,615	-	3,355,615	389,632
Residential Mortgage Finance			35%	223,280	-	223,280	78,148
Public Sector Entity			0%	-	-	-	-
		1	20%	-	-	-	-
		2,3	50%	-	-	-	-
		4,5	100%	-	-	-	-
		6	150%	-	-	-	-
		Unrated	50%	27,864	-	27,864	13,932
				27,864	-	27,864	13,932
Sovereigns (SBP / GoP)			0%	14,944,513	-	14,944,513	-
Equity Investments - Listed			100%	738,227	-	738,227	738,227
- Unlisted			150%	86,209	-	86,209	129,314
				824,436	-	824,436	867,541
"Past Due Loans							
(Not Secured by Residential Mortgages)"		S.P less than 20%	150%	2,057,347	-	2,057,347	3,086,021
		S.P upto 20%	100%	122,974	-	122,974	122,974
		S.P greater than 50%	50%	83,909	-	83,909	41,955
				2,264,230	-	2,264,230	3,250,950
Investment in fixed assets			100%	1,434,588	-	1,434,588	1,434,588
Other assets			100%	1,806,512	-	1,806,512	1,806,512
Total				45,386,234	-	45,386,234	23,083,594

* Credit Risk Mitigation (CRM)

Exposures	Rating category No.	Rating risk weighted	Amount outstanding	Deduction CRM	Net amount	Risk weighted asset
			2010			
			----------------Rupees in '000----------------			
Cash and Cash Equivalents		0%	629,909	-	629,909	-
Corporate	0	0%	-	554,968	554,968	-
	1	20%	2,861,246	(43,749)	2,817,497	563,499
	2	50%	1,149,964	(34,307)	1,115,657	557,829
	3,4	100%	-	70,048	70,048	70,048
	5,6	150%	1,206,923	(70,048)	1,136,875	1,705,313
	Unrated	100%	9,255,813	(476,912)	8,778,901	8,778,901
			14,473,946	-	14,473,946	11,675,589
Retail		0%	-	184,774	184,774	-
		20%	-	3,996	3,996	799
		50%	-	-	-	-
		75%	439,133	(188,770)	250,363	187,772
			439,133	-	439,133	188,571
Banks						
- Maturity over 3 Months		0%	-	-	-	-
	1	20%	2,210,214	-	2,210,214	442,043
	2,3	50%	109,217	-	109,217	54,609
	4,5	100%	-	-	-	-
	6	150%	-	-	-	-
	Unrated	50%	-	-	-	-
			2,319,431	-	2,319,431	496,651
- Maturity Upto and under 3 Months in FCY		0%	-	-	-	-
	1,2,3	20%	62,618	-	62,618	12,524
	4,5	50%	1,293	-	1,293	647
	6	150%	-	-	-	-
	unrated	20%	556,518	-	556,518	111,304
			620,429	-	620,429	124,474
- Maturity upto and under 3 months in PKR		0%	-	585,717	585,717	-
		20%	1,595,033	(585,717)	1,009,316	201,863
			1,595,033	-	1,595,033	201,863
Residential Mortgage Finance		35%	160,963	-	160,963	56,337
Public Sector Entity						
		0%	-			
	1	20%	-	-	-	-
	2,3	50%	-	-	-	-
	4,5	100%	-	-	-	-
	6	150%	-	-	-	-
	Unrated	50%	15,336	-	15,336	7,668
			15,336	-	15,336	7,668
Sovereigns (SBP / GoP)		0%	11,181,777	-	11,181,777	-
Equity Investments - Listed		100%	876,457	-	876,457	876,457
- Unlisted		150%	50,479	-	50,479	75,719
			926,936	-	926,936	952,176
"Past Due Loans						
(Not Secured by Residential Mortgages)"	S.P less than 20%	150%	220,374	-	220,374	330,561
	S.P upto 20%	100%	507,163	-	507,163	507,163
	S.P greater than 50%	50%	126,566	-	126,566	63,283
			854,103	-	854,103	901,007
Investment in fixed assets		100%	1,282,795	-	1,282,795	1,282,795
Other assets		100%	1,394,313	-	1,394,313	1,394,313
Total			35,894,104	-	35,894,104	17,281,445

* Credit Risk Mitigation (CRM)

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

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

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

41.2 Equity position risk in the banking book

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

41.3 Market risk

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

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

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

The market risk function is also supported by personnel in the Middle Office function and directly reported to Group Head Risk Management. Its function 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) Stress testing of the market portfolio; and
b) Limit monitoring reports

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

In addition, the Group is using the following to ascertain the impact of market risk.

- Factor sensitivities
- Stress testing

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

41.3.2 Foreign exchange risk

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

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

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

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

	2011			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	---------------------- Rupees in '000 ----------------------			
Pakistan Rupee	**51,947,524**	**42,702,878**	**(502,242)**	**8,742,404**
United States Dollar	**2,430,423**	**2,523,050**	**128,249**	**35,622**
Great Britain Pound	**41,364**	**226,968**	**185,751**	**147**
Euro	**77,243**	**265,795**	**189,155**	**603**
Other currencies	**6,071**	**2,898**	**(913)**	**2,260**
	2,555,101	**3,018,711**	**502,242**	**38,632**
	54,502,625	**45,721,589**	**-**	**8,781,036**

	2010			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	---------------------- Rupees in '000 ----------------------			
Pakistan Rupee	37,818,102	31,286,077	(994,167)	5,537,858
United States Dollar	1,479,037	1,882,928	702,478	298,587
Great Britain Pound	45,392	178,134	132,728	(14)
Euro	38,280	197,845	159,066	(500)
Other currencies	2,836	377	(105)	2,355
	1,565,545	2,259,284	994,167	300,428
	39,383,647	33,545,361	-	5,838,286

41.3.3 Equity position risk in trading book

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

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

41.3.4 Mismatch of interest rate sensitive assets and liabilities

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. The 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.

	2011											
	Effective yield interest rate %	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Non-interest bearing financial instrument
		Rupees in '000										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	3,880,782	426,339	-	-	-	-	-	-	-	-	3,454,443
Balances with other banks	-	165,067	51,144	-	-	-	-	-	-	-	-	113,923
Lendings to financial institutions	11.55-14.79	3,803,022	2,816,022	658,333	318,667	2,000	2,000	6,000	-	-	-	-
Investments	5.75-16.50	22,906,646	662,430	632,951	1,300,922	3,518,059	9,264,116	446,077	3,497,192	2,471,841	-	1,113,058
Advances	4.25-18.50	18,029,884	6,156,755	9,002,296	2,022,609	578,381	128,913	42,496	65,370	33,064	-	-
Other assets	-	1,178,598	-	-	-	-	-	-	-	-	-	1,178,598
		49,963,999	10,112,690	10,293,580	3,642,198	4,098,440	9,395,029	494,573	3,562,562	2,504,905	-	5,860,022
Liabilities												
Bills payable	-	1,246,994	-	-	-	-	-	-	-	-	-	1,246,994
Borrowings	10.0-13.0	3,171,800	2,048,800	549,500	573,500	-	-	-	-	-	-	-
Deposits and other accounts	5.0-14.70	40,174,351	19,738,637	4,395,876	1,392,336	1,337,911	1,808,212	28,647	8,200	1,150	-	11,463,382
Other liabilities	-	1,098,610	-	-	-	-	-	-	-	-	-	1,098,610
		45,691,755	21,787,437	4,945,376	1,965,836	1,337,911	1,808,212	28,647	8,200	1,150	-	13,808,986
On-balance sheet financial instruments		4,272,244	(11,674,747)	5,348,204	1,676,362	2,760,529	7,586,817	465,926	3,554,362	2,503,755	-	(7,948,964)
Forward lendings		-	-	-	-	-	-	-	-	-	-	-
Forward borrowings		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap			(11,674,747)	5,348,204	1,676,362	2,760,529	7,586,817	465,926	3,554,362	2,503,755	-	-
Cumulative yield / interest risk sensitivity gap			(11,674,747)	(6,326,543)	(4,650,181)	(1,889,652)	5,697,165	6,163,091	9,717,453	12,221,208	12,221,208	-

	2010											
	Effective yield interest rate %	Total	Up to1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	Non-interest bearing financial instrument
		Rupees in '000										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	-	2,298,806	326,971	-	-	-	-	-	-	-	-	1,971,835
Balances with other banks	0-2.75	917,802	66,181	513,820	-	-	-	-	-	-	-	337,801
Lendings to financial institutions	13.15-14.84	3,643,360	2,131,579	1,111,781	-	-	-	400,000	-	-	-	
Investments	2.95-16.26	13,701,699	1,777,353	3,537,599	4,672,789	8,280	87,478	868,940	1,283,967	859,547	-	605,746
Advances	2.84-24.09	13,978,113	7,610,858	487,192	2,621,020	862,084	912,098	1,160,704	165,237	2,233	156,687	
Other assets	-	712,359	-	-	-	-	-	-	-	-	-	712,359
		35,252,139	11,912,942	5,650,392	7,293,809	870,364	999,576	2,429,644	1,449,204	861,780	156,687	3,627,741
Liabilities												
Bills payable	-	369,620	-	-	-	-	-	-	-	-	-	369,620
Borrowings	9.00-13.35	5,524,410	3,458,852	1,748,645	312,740	-	-	-	-	-	-	4,173
Deposits and other accounts	5.10-15.25	26,276,328	14,210,331	2,748,178	1,042,227	1,239,076	8,590	12,000	9,764	-	-	7,006,162
Other liabilities	-	1,365,670	-	-	-	-	-	-	-	-	-	1,365,670
		33,536,028	17,669,183	4,496,823	1,354,967	1,239,076	8,590	12,000	9,764		-	8,745,625
On-balance sheet financial instruments		1,716,111	(5,756,241)	1,153,569	5,938,842	(368,712)	990,986	2,417,644	1,439,440	861,780	156,687	(5,117,884)
Forward lendings		-	-	-	-	-	-	-	-	-		-
Forward borrowings		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	
Total yield / interest risk sensitivity gap			(5,756,241)	1,153,569	5,938,842	(368,712)	990,986	2,417,644	1,439,440	861,780	156,687	-
Cumulative yield / interest risk sensitivity gap			(5,756,241)	(4,602,672)	1,336,170	967,458	1,958,444	4,376,088	5,815,528	6,677,308	6,833,995	-

	2011	2010
	Rupees in '000	
Reconciliation to total assets		
Balance as per balance sheet	**54,502,625**	39,383,647
Less: Non financial assets		
Operating fixed assets	**3,064,883**	2,882,941
Deferred tax assets	**1,228,756**	1,184,613
Other assets	**244,987**	63,954
	4,538,626	4,131,508
	49,963,999	35,252,139

	2011	2010
	Rupees in '000	
Reconciliation to total liabilities		
Balance as per balance sheet	**45,721,589**	33,545,361
Less: Non financial liabilities		
Government duties	**10,268**	9,333
Other Liabilities	**19,566**	-
	45,691,755	33,536,028

41.4 Liquidity risk

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

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

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

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

Maturity of assets and laibilities

	2011									
	Total	Up to1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 year	Over 2 to 3 year	Over 3 to 5 year	Over 5 to 10 year	Above 10 years
	Rupees in '000									
Assets										
Cash and balances with treasury banks	3,880,782	3,880,782	-	-	-	-	-	-	-	-
Balances with other banks	165,067	165,067	-	-	-	-	-	-	-	-
Lendings to financial institutions	3,803,022	490,509	450,000	429,858	1,580,296	537,000	199,947	-	47,252	68,160
Investments	22,906,645	683,316	18,480	759,990	12,759,201	1,055,919	3,673,373	2,275,128	1,592,095	89,143
Advances	18,029,884	2,931,332	3,011,901	2,497,792	7,133,339	517,736	735,574	975,645	4,277	222,288
Other assets	1,423,586	739,395	33,351	42,073	226,828	372,920	819	810	-	7,389
Operating fixed assets	3,064,883	36,730	37,487	53,792	102,115	188,926	174,194	316,786	249,635	1,905,219
Deferred tax assets	1,228,756	-	-	-	-	-	-	1,228,756	-	-
	54,502,625	8,927,131	3,551,219	3,783,505	21,801,780	2,672,501	4,783,906	4,797,125	1,893,258	2,292,200
Liabilities										
Bills payable	1,246,994	1,246,994	-	-	-	-	-	-	-	-
Borrowings	3,171,800	2,048,800	549,500	573,500	-	-	-	-	-	-
Deposits and other accounts	40,174,351	10,896,533	9,442,515	3,570,109	4,219,083	19,975	12,024,787	1,350	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	1,128,444	1,009,224	-	-	-	75,345	-	43,875	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
	45,721,589	15,201,551	9,992,015	4,143,609	4,219,083	95,320	12,024,787	45,225	-	-
Net assets	8,781,036	(6,274,420)	(6,440,796)	(360,104)	17,582,697	2,577,181	(7,240,880)	4,751,900	1,893,258	2,292,200
Share capital	10,002,930									
Statutory reserve	89,978									
Discount on issue of right shares	(1,944,880)									
Accumulated losses	(642,058)									
Surplus on revaluation of assets - net	(28,080)									
	8,781,036									

The expected maturity dates do not differ significantly from the contract date except for the maturity of Rs.12.02 (2010: Rs.7.59) billion of deposits representing retail deposit accounts being considered stable core source of funding by the Bank.

	2010									
	Total	Up to1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 year	Over 2 to 3 year	Over 3 to 5 year	Over 5 to 10 year	Above 10 years
	Rupees in '000									
Assets										
Cash and balances with treasury banks	2,298,806	2,298,806	-	-	-	-	-	-	-	-
Balances with other banks	917,802	403,982	513,820	-	-	-	-	-	-	-
Lending to financial institutions	3,643,360	2,131,579	1,111,781	-	-	-	400,000	-	-	-
Investments	13,701,699	2,383,099	3,537,599	4,672,789	8,280	87,478	868,940	1,283,967	859,547	-
Advances	13,978,113	7,610,858	487,192	2,621,020	862,084	912,098	1,160,704	165,237	2,233	156,687
Other assets	776,313	601,695	31,645	31,135	92,472	18,181	1,176	9	-	-
Operating fixed assets	2,882,941	28,795	38,265	56,766	106,152	172,961	147,800	262,464	309,997	1,759,741
Deferred tax assets	1,184,613	-	-	-	-	-	-	1,184,613	-	-
	39,383,647	15,458,814	5,720,302	7,381,710	1,068,988	1,190,718	2,578,620	2,896,290	1,171,777	1,916,428
Liabilities										
Bills payable	369,620	369,620	-	-	-	-	-	-	-	-
Borrowings	5,524,410	3,463,025	1,748,645	312,740	-	-	-	-		-
Deposits and other accounts	26,276,328	21,216,493	2,748,178	1,042,227	1,239,076	8,590	12,000	9,764	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	1,375,003	1,307,892	-	-	-	58,009	-	9,102	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
	33,545,361	26,357,030	4,496,823	1,354,967	1,239,076	66,599	12,000	18,866	-	-
Net assets	5,838,286	(10,898,216)	1,223,479	6,026,743	(170,088)	1,124,119	2,566,620	2,877,424	1,171,777	1,916,428
Share capital	8,149,715									
Statutory reserve	18,040									
Discount on issue of right shares	(1,415,477)									
Accumulated losses	(930,671)									
Surplus on revaluation of assets - net	16,679									
	5,838,286									

The expected maturity dates do not differ significantly from the contract date except for the maturity of Rs. 7.59 (2010: Rs. 5.41) billion of deposits representing retail deposit accounts being considered stable core source of funding by the Bank.

41.5 Operational risk

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

ORM Unit resides within Risk Management Group (RMG). Its responsibility is to implement Operational Risk management tools across the Bank for effective measurement and monitoring of operational risk faced by different areas of the Bank.
During the year, the management is in the process of conducting an overall review and updating / consolidation of systems and procedures with the objective of further improving internal controls so as to be fully compliant with the established benchmarks including the framework envisaged by the Committee of Sponsoring Organizations (COSO) and the requirements of relevant international benchmarks (PCAOB Standards) for evaluating the results of testing activities. A Steering Committee is actively functioning to oversee the formulation, design and implementation of the requirements under the COSO framework. Special emphasis is being laid on the expeditious completion of the roadmap pertaining to ICFR (Internal Controls over Financial Reporting) certification.

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

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

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

42. RECLASSIFICATIONS

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

Statement	Component	Reclassification From	Reclassification To	(Rupees in '000)
Statement of financial position	Assets	Balances with other banks	Cash and balances with treasury banks	234,703

The above reclassification does not affect the retained earnings and other equity components for the priorperiodpresented.

43. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on February 27, 2012.

44. GENERAL

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

Jahangir Siddiqui **Chairman**	**Kalim-ur-Rahman** **President/Chief Executive Officer**	**Rafique R. Bhimjee** **Director**	**Mazharul Haq Siddiqui** **Director**

Pattern of Shareholding

Pattern of holding of the shares held by the shareholders as at December 31, 2011

Number of shareholders	Shareholdings' slab	Shareholdings' slab	Total Shares held
313	1	100	10,653
968	101	500	399,996
1119	501	1000	1,066,312
2312	1001	5000	6,693,882
753	5001	10000	5,960,711
299	10001	15000	3,762,346
183	15001	20000	3,293,955
129	20001	25000	2,965,521
82	25001	30000	2,339,298
51	30001	35000	1,657,964
46	35001	40000	1,755,105
26	40001	45000	1,139,695
81	45001	50000	3,966,997
15	50001	55000	799,665
20	55001	60000	1,170,984
7	60001	65000	444,309
8	65001	70000	535,537
14	70001	75000	1,029,562
7	75001	80000	547,758
13	80001	85000	1,079,362
7	85001	90000	612,442
3	90001	95000	276,924
26	95001	100000	2,593,707
5	100001	105000	519,900
10	105001	110000	1,078,409
10	110001	115000	1,135,002
3	115001	120000	355,000
4	120001	125000	490,975
2	125001	130000	257,594
4	130001	135000	532,669
1	135001	140000	139,000
4	145001	150000	600,000
4	150001	155000	611,418
1	155001	160000	159,949
2	160001	165000	323,000
1	165001	170000	170,000
1	170001	175000	175,000
2	180001	185000	366,928
1	185001	190000	187,000
2	190001	195000	383,300
7	195001	200000	1,399,900
1	200001	205000	202,839
3	205001	210000	622,300
1	215001	220000	218,700
3	220001	225000	673,089
1	230001	235000	232,750
2	245001	250000	499,219
1	250001	255000	253,312
2	255001	260000	515,795
1	260001	265000	264,000
2	275001	280000	557,962
4	295001	300000	1,200,000
1	305001	310000	310,000
2	310001	315000	626,586

Pattern of Shareholding

Pattern of holding of the shares held by the shareholders as at December 31, 2011

1	315001	320000	319,700
2	325001	330000	656,320
2	345001	350000	700,000
1	355001	360000	355,500
1	360001	365000	362,250
1	370001	375000	373,500
1	385001	390000	388,500
1	405001	410000	405,132
1	410001	415000	411,000
1	495001	500000	500,000
1	505001	510000	508,153
1	585001	590000	589,750
2	595001	600000	1,196,848
1	640001	645000	644,582
1	655001	660000	657,772
1	695001	700000	698,779
1	700001	705000	703,579
1	795001	800000	800,000
1	800001	805000	801,913
2	995001	1000000	2,000,000
1	1030001	1035000	1,031,450
1	1095001	1100000	1,100,000
1	1100001	1105000	1,105,000
1	1155001	1160000	1,156,391
1	1435001	1440000	1,438,121
1	1455001	1460000	1,457,500
1	1490001	1495000	1,491,000
1	1540001	1545000	1,545,000
1	1585001	1590000	1,588,541
1	1670001	1675000	1,671,030
1	1795001	1800000	1,800,000
1	1945001	1950000	1,949,604
1	2040001	2045000	2,041,929
1	2135001	2140000	2,136,000
1	2460001	2465000	2,461,227
1	2585001	2590000	2,587,248
1	2605001	2610000	2,607,168
1	2625001	2630000	2,628,500
1	2995001	3000000	3,000,000
1	3155001	3160000	3,158,250
1	3310001	3315000	3,311,522
1	3560001	3565000	3,561,199
1	4380001	4385000	4,382,370
1	4605001	4610000	4,610,000
1	6715001	6720000	6,718,641
1	9720001	9725000	9,725,000
1	10435001	10440000	10,436,696
1	12195001	12200000	12,197,380
1	13190001	13195000	13,190,123
1	19995001	20000000	20,000,000
1	23460001	23465000	23,460,694
1	27375001	27380000	27,380,000
1	28755001	28760000	28,759,330
1	38995001	39000000	39,000,000
1	683365001	683370000	683,368,538
6,629			1,000,293,011

Pattern of Shareholding

Pattern of holding of the shares held by the shareholders as at December 31, 2011

Categories of Shareholders	Shares Held	Percentage %
BANKS DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS.	26,235,746	2.62
INSURANCE COMPANIES	23,478,194	2.35
DIRECTORS, CHIEF EXECUTIVE OFFICER, AND THEIR SPOUSE AND MINOR CHILDREN		
JAHANGIR SIDDIQUI	1,588,542	
MAZHARUL HAQ SIDDIQUI	801,914	
AKHTER JABEEN	218,700	
MAQBOOL AHMED SOOMRO	16	
ASHRAF NAWABI	1	
RAFIQUE R. BHIMJEE	130,891	
SHAHAB ANWAR KHAWAJA	1	
BASIR SHAMSIE	1	
HAFSA SHAMSIE	328,320	
Sub-Totals :	3,068,386	0.31
ASSOCIATED COMPANIES, UNDERTAKING AND RELATED PARTIES.		
JAHANGIR SIDDIQUI & CO. LIMITED	683,368,538	68.32
MODARABAS AND MUTUAL FUNDS.	117,232	0.01
NIT AND ICP		
IDBP (ICP UNIT)	5,467	
M/S. INVESTMENT CORP. OF PAKISTAN	972	
NATIONAL BANK OF PAKISTAN-TRUSTEE DEPART	28,759,330	
Sub-Totals :	28,765,769	2.88
FOREIGN INVESTORS	58,479,717	5.85
OTHERS	65,455,121	6.54
Local - Individuals	111,324,308	11.13
	G-Totals :1,000,293,011	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, 2011 to December 31, 2011.

During the period from January 01, 2011 to December 31, 2011, Mr. Jahangir Siddiqui (Chairman) has been allotted 1,588,541 shares of JS Bank Limited in exchange of 218,797 shares of JS Global Capital Limited (swap ratio of 7.2603) via tender offer under Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Ordinance, 2002.

Branch Network

Sindh

Karachi

Shaheen Complex Branch
Tel: 021 111 572 265 / 3227 2569 – 80

Abul Hasan Isphahani Road Branch
Tel: 021 3469 3540 – 9

Cloth Market Branch
Tel: 021 3246 4042 – 8

Dhoraji Branch
Tel: 021 3494 6280 – 2

Federal B. Area Branch
Tel: 021 3631 6229 / 3631 6244 / 3631 6324

Garden Branch
Tel: 021 3224 0093 – 7

Gulistan-e-Jauhar Branch
Tel: 021 3466 2002 – 5

Gulshan-e-Iqbal Branch
Tel: 021 3482 9055 – 60

Gulshan Chowrangi Branch
Tel: 021 3483 3290 – 3

Gulshan-e-Hadeed Branch
Tel: 021 3471 5201 – 3 / 3471 5205 –7

Islamia College Branch
Tel: 021 3492 4021 – 4

Jheel Park Branch
Tel: 021 3454 4831 – 5

Jodia Bazar Branch
Tel: 021 3243 5304 – 6 / 3246 3456

Karachi Stock Exchange Branch
Tel: 021 3246 2851 – 4

Khayaban-e-Ittehad, DHA Branch
Tel: 021 3531 3811 – 4

Khayaban-e-Shahbaz, DHA Branch
Tel: 021 3524 3415 – 9

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

Lucky Star Branch
Tel: 021 3562 2431 – 9

M.A. Jinnah Road Branch
Tel: 021 3274 2006 – 8

Mauripur Branch
Tel: 021 3235 4060 – 3

Nazimabad Branch
Tel: 021 3661 2325 / 3661 2319 / 3661 2236

New Chali Branch
Tel: 021 3260 2100 – 3

New Sabzi Mandi Branch
Tel: 021 3687 0717 – 8

North Nazimabad Branch
Tel: 021 3672 1010 – 2

Park Towers Branch
Tel: 021 3583 2011 – 9

Safoora Goth Branch
Tel: 021 3466 1805 – 9

Shah Faisal Colony Branch
Tel: 021 3468 6191 – 4

Shahrah-e-Faisal Branch
Tel: 021 3437 3240 – 4

S.I.T.E. Branch
Tel: 021 3255 0080 – 4

Teen Talwar Branch
Tel: 021 3583 4127 / 3583 6974

Timber Market Branch
Tel: 021 3276 3079 / 3276 3095 / 3276 0820

Zamzama Branch
Tel: 021 35295224 – 5

Hyderabad

Saddar Branch
Tel: 022 273 0925 – 7

Cloth Market Branch
Tel: 022 261 8270 – 13 – 4

Latifabad Branch
Tel: 022 381 7971 – 4

Qasimabad Branch
Tel: 022 265 2191 – 93

Sukkur

Shaheed Gunj Branch
Tel: 071 562 7481 – 2

IBA Campus Branch
Tel: 071 563 3826

Larkana Branch
Tel: 074 405 8603 – 5

Nawabshah Branch
Tel: 024 433 0561 – 4

Jamshoro Branch
Tel: 022 387 8101 – 4

Khairpur Branch
Tel: 024 371 5316 – 8

Mirpurkhas Branch
Tel: 023 387 6001 – 4

Sanghar Branch
Tel: 023 580 0162 – 5

Tando Allahyar Branch
Tel: 022 389 2001 – 4

Ghotki Branch

Tando Mohammad Khan Branch
Tel: 022 334 0596 – 8

Sehwan Sharif Branch
Tel: 025 462 0305 – 7

Moro Branch
Tel: 024 241 3200 – 3

Khandhkot Branch

Shahdadkot Branch

Pano Aqil Branch
Tel: 071 569 0403

Sultanabad Branch
Tel: 023 350 0498

Maatli Branch
Tel: 029 784 1514

Kunri Branch
Tel: 023 855 8163 – 6

Branch Network

Digri Branch
Tel: 023 387 0305 – 7

Mirwah Gorchani.Branch
Tel: 023 3896 2355

Balochistan

Quetta

M.A. Jinnah Road Branch
Tel: 081 286 5501 – 4

Punjab

Lahore

Upper Mall Branch
Tel: 042 111 572 265 / 3577 6515-30

Airport Road Branch
Tel: 042 3570 0081 – 90

Allama Iqbal Town Branch
Tel: 042 3780 5026 / 3780 5027

Brandreth Road Branch
Tel: 042 3738 1316 – 9

Cavalry Ground Branch
Tel: 042 366 10282 – 4

Chowburji Branch
Tel: 042 3736 2981 – 8

Circular Road Branch
Tel: 042 3737 9325 – 8

DHA "Z" Block Branch
Tel: 042 3569 2953 – 61

DHA Phase II Branch
Tel: 042 3570 7651 – 9

Faisal Town Branch
Tel: 042 3521 9301 – 8

M.M. Alam Road, Gulberg Branch
Tel: 042 3577 8721 – 30

Model Town Branch
Tel: 042 3591 5614 – 8

Raiwind Road Branch
Tel: 042 3529 1247 – 8

Shadman Town Branch
Tel: 042 3750 3701 – 8

Shah Alam Market Branch
Tel: 042 3737 5734 – 7

Wapda Town Branch
Tel: 042 3521 1557 – 64

Rawalpindi

Bank Road Branch
Tel: 051 512 0731 – 5

Bahria Town Branch
Tel: 051 573 1351 – 4

Peshawar Road Branch
Tel: 051 549 2873 – 4 / 549 2870

Raja Bazar Branch
Tel: 051 5778 560 – 3

Satellite Town Branch
Tel: 051 484 2984 – 6

Faisalabad

Kotwali Road Branch
Tel: 041 241 2263 / 241 2265 /
241 2271

Karkhana Bazar

Gujranwala

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

Bank Square Branch
Tel: 055 423 4401 – 3

Sheikhupura

Agrow Sheikhupura Branch
Tel: 056 303 5790

Sheikhupura Branch
Tel: 056 381 0273 – 6

Sialkot

Cantt Branch
Tel: 052 427 2351 – 4

Shahabpura Branch
Tel: 052 424 2681

Kasur

Agrow Kasur Branch
Tel: 049 277 1308 – 9

Chandni Chowk Branch
Tel: 049 276 1581 – 4

Pak Pattan

Agrow Pak Pattan Branch
Tel: 045 741 9629

Pak Pattan Branch
Tel: 045 735 2591 – 4 / 735 2001 – 5

Arifwala Branch
Tel: 045 783 5477 – 81

Attock Branch
Tel: 057 261 0500 / 261 0480 /
261 0780 / 270 3050

Bahawalpur Branch

Burewala Branch
Tel: 067 335 1359

Chakwal Branch

Chishtian Branch
Tel: 063 202 3490

Daska Branch
Tel: 052 661 0461 – 4

D.G.Khan Branch

Dina Branch.
Tel: 054 463 4273 – 5

Dipalpur Branch
Tel: 044 454 2246 – 9

Ellahabad Theengmorr Branch
Tel: 049 201 6310 / 201 6312

Gojra Branch
Tel: 046 351 3637

Gujrat Branch
Tel: 053 353 8091 – 4

Hafizabad Branch
Tel: 0547 526 407 – 10

Hasilpur Branch

Jehlum Branch
Tel: 054 461 1840 – 3

Branch Network

Khanewal Branch
Tel: 065 255 7491 – 3

Kharian Branch
Tel: 053 753 4211

Lalamusa Branch
Tel: 053 751 9656-8

Leiah Branch

Mandi Bahauddin Branch
Tel: 054 650 9452 -3

Mian Chunno Branch

Abdali Road Multan Branch
Tel: 061 457 4496 / 457 4469 / 457 4364

Muridke Branch
Tel: 042 3795 1054 – 7

Muzaffargarh Branch
Tel: 066 242 4691-2 / 242 4695 / 242 4687

Nankana Branch
Tel: 056 279 4068

Okara Branch
Tel: 044 252 8728 – 30

Pir Mahal Branch

Rabwa Branch
Tel: 047 621 4042 – 5

Rahim Yar Khan Branch
Tel: 068 587 9511 – 4

Sahiwal Branch
Tel: 040 422 2733 – 5

Sambrial Branch
Tel: 052 652 4105

Sargodha Branch
Tel: 048 376 8286 – 90

Taxila Branch
Tel: 051 4535315 – 7

Toba Tek Singh Branch
Tel: 046 251 2052 – 5

Vehari Branch
Tel: 067 336 0715 – 8

Wazirabad Branch
Tel: 055 660 5841-4

Khyber-Pakhtoonkhwa

Peshawar

Peshawar Cantt Branch
Tel: 091 527 9981 – 4 / 528 7455 – 6

Karkhano Branch
Tel: 091 589 3134

University Road Branch
Tel: 091 571 1572 - 5

Abbottabad Branch
Tel: 099 233 1491 – 4

Mardan Branch
Tel: 093 787 3445 – 787 3452

Federal Capital

Islamabad

Islamabad Blue Area Branch
Tel: 051 111 572 265 / 281 0121-4

DHA Phase II Branch
Tel: 051 435 8882

F-7 Markaz Branch
Tel: 051 260 8402 – 5

F-8 Markaz Branch
Tel: 051 281 8296 – 8

I-8 Markaz Branch
Tel: 051 486 4523 – 6

I-9 Markaz Branch
Tel: 051 443 1296 – 8

Islamabad Stock Exchange Branch
Tel: 051 289 4407 – 10

Azad Jammu & Kashmir (AJK)

Chaksawari Branch
Tel: 058 27 454 790

Dadyal Branch
Tel: 058 6304 4668 – 70 / 2746 5668 – 70

Kotli Branch
Tel: 058 2644 8228 – 30

Khui Ratta Branch
Tel: 058 2641 4906 – 7

Jatlan Branch
Tel: 058 -02740 4388 – 9

Mirpur Branch
Tel: 058 2743 7281 – 4

Muzaffarabad Branch
Tel: 058 2292 9765 – 7

Form of Proxy

6th Annual General Meeting

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

I/We ___________________________ of _____________ being member(s) of JS Bank Limited holding ____________________ ordinary shares as per Register Folio No./CDC /A/c No. (for members who have shares in CDS) ______________________________ hereby appoint Mr./ Ms.____________________________ of (full address) _________________________________ or failing him / her Mr./Ms. ____ of (full address)_______________________________________ as my / our proxy to attend, act and vote for me / us and on my / our behalf at the 6th Annual General Meeting of the Bank to be held on March 29, 2012 and / or any adjournment thereof.

As witness my / our hand / seal this ____ day of _____________ 2012 signed by ___________________________ in the presence of (name & address).

Witnesses:

1. Name : ______________________
   Address : ______________________
   CNIC / Passport No. : ______________________
   Signature : ______________________

2. Name : ______________________
   Address : ______________________
   CNIC / Passport No. : ______________________
   Signature : ______________________

Signature on
Rs. 5/-
Revenue Stamp
The signature should
agree with the
specimen registered
with the Bank

Important:

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

2. The proxy form, duly completed and signed, must be received at the Office of the Bank situated at Shaheen Commercial Complex Dr. Ziauddin Ahmed Road, Karachi 74200 not less than 48 hours before the time of holding the meeting.

3. No person shall act as proxy unless he / she himself is a member of the Bank, except that a corporation may appoint a person who is not a member.

4. If a member appoints more than one proxy and / or more than one instruments of proxy are deposited by a member with the Bank, all such instruments of proxy shall be rendered invalid.

5. Beneficial Owner of the physical shares and the shares registered in the name of Central Depositary Company of Pakistan Ltd (CDC) and / or their proxies are required to produce their original Computerized National Identity Card (CNIC) or Passport for identification purposes at the time of attending meeting. The Form 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).

AFFIX
CORRECT
POSTAGE

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

Fold : Here

Fold : Here

Fold : Here

Fold : Here