

**JS Bank Limited**

Head Office:  
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**JS Bank Limited**  
Interim Condensed Financial Statements  
for the Half Year Ended  
June 30, 2009 (Un-Audited)

 **JS BANK**

we value your success

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## COMPANY INFORMATION

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

## DIRECTORS' REPORT

On behalf of the Board of Directors, I am pleased to present the reviewed financial statements for the half year ended June 30, 2009.

The banking sector has suffered from the economic meltdown with asset quality concerns continuing to cast a shadow over the sector's performance. However, recent developments such as falling trend of KIBOR, improving net foreign assets and emerging signs of economic recovery raise some optimism for the medium term prospects of the sector. On the other hand, international commodity prices and global recessionary woes still remain as key risks to the economy.

The Pakistan Credit Rating Agency (PACRA) has upgraded the long-term and short-term entity ratings of JS Bank Limited to "A" from A- and "A1" from A2, respectively. These ratings denote low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments. The ratings reflect the improvement in JSBL's relative positioning amongst peers and appreciable progress accomplished in formulating a cogent business strategy, strengthening systems and controls, developing a core management team, expanding the branch network and successfully implementing the technology infrastructure.

On the retail side, intense focus has been placed on strengthening the liabilities business. The aim is to improve the present deposit mix of the bank by increasing focus on low cost deposits. We started the year 2009 with 39 online branches / sub-branches. As at June 30, 2009 we were functional with 71 online branches / sub-branches and by the end of this year we are on track to be a bank with 119 online branches/sub-branches offering country-wide banking to our client base. Going forward, we envisage strong growth in advances and deposits, in line with our expansion plans.

During the six months period under review, the balance sheet of your bank grew stronger with the asset side improving due to higher business volumes. Total assets stood at Rs. 28.75 billion from Rs. 21.63 billion as at December 31, 2008 which was driven by a 64% increase in investments. The Bank's deposit base grew to Rs. 19.05 billion as compared to Rs. 15.29 billion, an increase of 25%. Due to current economic conditions prevailing in the country, your bank has suffered net loss after taxation of Rs. 792.83 million. Provision for impairment in the value of investments amounting to Rs. 323.77 million and provision against non-performing loans and advances amounting to Rs. 205.57 million is the major contributor towards this loss. Moreover, aggressive branch expansion is also one of the contributors towards the rising administrative costs.

We take this opportunity to express our gratitude to our customers and business partners for their continued support and trust. We appreciated the co-operation and guidance provided by the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan and other regulatory authorities. Finally, we are also thankful to our associates, staff and colleagues for their hard work and unstinted commitment to Bank.

Karachi: August 25, 2009

On behalf of the Board

**Naveed Qazi**  
President and Chief Executive Officer

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## AUDITOR'S REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

### Introduction

We have reviewed the accompanying interim condensed balance sheet of JS Bank Limited as at 30 June 2009 and the related interim condensed profit and loss account, interim condensed cash flow statement and interim condensed statement of changes in equity for the six-month period then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with international Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Karachi  
Date : August 25, 2009

Ford Rhodes Sidat Hyder & Co.  
Chartered Accountants

**INTERIM CONDENSED BALANCE SHEET**  
AS AT JUNE 30, 2009

		Un-Audited June 30, 2009	Audited December 31, 2008
		----- (Rupees in '000) -----	
<b>ASSETS</b>			
	Note		
Cash and balances with treasury banks		1,898,529	1,285,247
Balances with other banks		2,607,029	672,271
Lendings to financial institutions	6	2,721,642	1,405,210
Investments	7	8,436,965	5,138,709
Advances	8	9,485,672	9,680,449
Operating fixed assets	9	2,846,917	2,496,883
Deferred tax assets		88,217	271,646
Other assets		667,416	677,387
		<u>28,752,387</u>	<u>21,627,802</u>
<b>LIABILITIES</b>			
Bills payable		483,796	127,922
Borrowings	10	3,367,008	537,655
Deposits and other accounts	11	19,050,803	15,294,273
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		518,991	392,115
		<u>23,420,598</u>	<u>16,351,965</u>
<b>NET ASSETS</b>		<u>5,331,789</u>	<u>5,275,837</u>
<b>REPRESENTED BY:</b>			
Share capital		6,127,605	5,694,844
Reserves		18,040	18,040
(Accumulated loss) / unappropriated profit		<u>(721,087)</u>	<u>71,744</u>
		5,424,558	5,784,628
Deficit on revaluation of assets - net of tax		<u>(92,769)</u>	<u>(508,791)</u>
		<u>5,331,789</u>	<u>5,275,837</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
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The valuation of listed equity securities / mutual funds held under 'available-for-sale' category of investments has been arrived at using the market prices quoted on the stock exchange / net assets value as of June 30, 2009 and a portion of impairment loss arising therefrom has been included in deficit on revaluation of assets - net of tax as allowed by State Bank of Pakistan. Under the regular accounting policy of the bank, the same would have resulted in a charge to profit and loss account of Rs.198.128 million (net of tax) and, consequently, the accumulated loss as at June 30, 2009 would have been Rs.991.778 million and deficit on revaluation of assets - net of tax would have been higher by Rs.198.128 million.

The annexed notes from 1 to 19 form an integral part of these interim condensed financial statements.

Jahangir Siddiqui  
Chairman

Naveed Qazi  
President & Chief Executive

Rafique R. Bhimjee  
Director

Syed Amjad Ali  
Director

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**INTERIM CONDENSED PROFIT AND LOSS ACCOUNT (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2009**

	Quarter ended June 30, 2009	Half year ended June 30, 2009	Quarter ended June 30, 2008	Half year ended June 30, 2008
	(Rupees in '000)			
<b>Note</b>				
Mark-up / return / interest earned	587,198	1,186,723	492,588	880,154
Mark-up / return / interest expensed	408,105	817,022	343,295	597,551
Net mark-up / interest income	179,093	369,701	149,293	282,603
Provision against non-performing loans and advances	(96,556)	(205,578)	(1,622)	(4,403)
Provision for impairment in value of investments	(174,574)	(323,770)	-	-
Bad debts written off directly	-	-	-	-
	(271,130)	(529,348)	(1,622)	(4,403)
Net mark-up / interest income after provisions	(92,037)	(159,647)	147,671	278,200
<b>NON MARK-UP / INTEREST INCOME</b>				
Fee, commission and brokerage income	27,766	50,172	27,588	45,467
Dividend income	3,277	5,030	1,994	59,123
Income from dealing in foreign currencies	37,247	37,152	28,122	33,027
Gain on sale / redemption of securities	26,773	72,139	119,122	180,289
Unrealised (loss) / gain on revaluation of investments classified as held for trading	(3,175)	782	(1,987)	45
Other income	156	156	9,525	9,525
Total non-markup / interest income	92,044	165,431	184,364	327,476
	7	5,784	332,035	605,676
<b>NON MARK-UP / INTEREST EXPENSES</b>				
Administrative expenses	421,367	774,449	239,690	437,752
Provision against off-balance sheet obligation-net	14,976	14,976	-	-
Other charges	628	810	1,772	2,390
Total non-markup / interest expenses	436,971	790,235	241,462	440,142
	(436,964)	(784,451)	90,573	165,534
Extra ordinary / unusual items	-	-	-	-
<b>(LOSS) / PROFIT BEFORE TAXATION</b>	(436,964)	(784,451)	90,573	165,534
Taxation				
- Current	(6,760)	(6,760)	2,653	-
- Prior years	-	-	-	-
- Deferred	(1,620)	(1,620)	(5,292)	(5,292)
	(8,380)	(8,380)	(2,639)	(5,292)
<b>(LOSS) / PROFIT AFTER TAXATION</b>	(445,344)	(792,831)	87,934	160,242
(Accumulated loss) / unappropriated profit brought forward	(275,743)	71,744	100,236	27,928
(Accumulated loss) / unappropriated profit	(721,087)	(721,087)	188,170	188,170
<b>(Loss) / Basic and diluted earnings per share (Rupee)</b>	<b>(0.74)</b>	<b>(1.31)</b>	<b>0.17</b>	<b>0.31</b>

The valuation of listed equity securities / mutual funds held under 'available-for-sale' category of investments has been arrived at using the market prices quoted on the stock exchange / net assets value as of June 30, 2009 and a portion of impairment loss arising therefrom has been included in deficit on revaluation of assets – net of tax as allowed by State Bank of Pakistan. Under the regular accounting policy of the bank, the same would have resulted in a charge to profit and loss account of Rs.270.691 million and, consequently, the loss after tax for the half year would have been Rs.1.064 billion and loss per share would have been Rs.1.76.

The annexed notes from 1 to 19 form an integral part of these interim condensed financial statements.

Jahangir Siddiqui  
Chairman

Naveed Qazi  
President & Chief Executive

Rafique R. Bhimjee  
Director

Syed Amjad Ali  
Director

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**INTERIM CONDENSED CASH FLOW STATEMENT (UN-AUDITED)**  
**FOR THE HALF YEAR ENDED JUNE 30, 2009**

	June 30, 2009	June 30, 2008
	----- (Rupees in '000) -----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
(Loss) / profit before taxation	(784,451)	165,534
Less: Dividend income	(5,030)	(59,123)
	<u>(789,481)</u>	<u>106,411</u>
<b>Adjustments:</b>		
Depreciation	76,512	30,614
Amortisation of intangibles	27,230	23,440
Charge for defined benefit plan	11,712	4,998
Provision against non-performing advances	205,578	4,403
Provision for diminution in value of investments	323,770	-
Provision against off-balance sheet obligation-net	14,976	-
Gain on sale of fixed assets	(156)	(146)
	<u>659,622</u>	<u>63,309</u>
	(129,859)	169,720
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	(1,316,432)	1,868,115
Held for trading securities	(29,861)	99,166
Advances	(10,801)	(3,100,290)
Other assets	4,347	73,795
	<u>(1,352,747)</u>	<u>(1,059,214)</u>
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	355,874	(217,110)
Borrowings	2,832,498	3,297,929
Deposits	3,756,530	398,103
Other liabilities	100,188	187,847
	<u>7,045,090</u>	<u>3,666,769</u>
	5,562,484	2,777,275
Income tax paid	(1,136)	(3,857)
Net cash flow from operating activities	<u>5,561,348</u>	<u>2,773,418</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net (investment in) / proceeds from disposal of available-for-sale securities	(2,994,334)	52,624
Dividend income	5,030	59,123
Investment in operating fixed assets	(453,892)	(224,438)
Sale proceeds of property and equipment disposed-of	272	268
Net cash used in from investing activities	<u>(3,442,924)</u>	<u>(112,423)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Issue of share capital	432,761	-
<b>Increase in cash and cash equivalents</b>	2,551,185	2,660,995
Cash and cash equivalents at beginning of the period	1,954,373	1,221,322
Cash and cash equivalents at end of the period	<u>4,505,558</u>	<u>3,882,317</u>

The annexed notes from 1 to 19 form an integral part of these interim condensed financial statements.

Jahangir Siddiqui  
Chairman

Naveed Qazi  
President & Chief Executive

Rafique R. Bhimjee  
Director

Syed Amjad Ali  
Director

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INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2009

	Issued, Subscribed and paid-up share capital	Statutory reserve	Unappropriated profit / (accumulated loss)	Total
----- (Rupees in '000) -----				
Balance as at January 1, 2008	5,106,337	7,086	27,928	5,141,351
Profit after taxation for the half year ended June 30, 2008	-	-	160,242	160,242
<b>Balance as at June 30, 2008</b>	<b>5,106,337</b>	<b>7,086</b>	<b>188,170</b>	<b>5,301,593</b>
Issue of ordinary shares of Rs.10/- each against cash	588,507	-	-	588,507
Loss after taxation for the half year ended December 31, 2008	-	-	(105,472)	(105,472)
Transfer to statutory reserve	-	10,954	(10,954)	-
<b>Balance as at December 31, 2008</b>	<b>5,694,844</b>	<b>18,040</b>	<b>71,744</b>	<b>5,784,628</b>
Issue of ordinary shares of Rs.10/- each against cash	432,761	-	-	432,761
Loss after taxation for the half year ended June 30, 2009	-	-	(792,831)	(792,831)
<b>Balance as at June 30, 2009</b>	<b>6,127,605</b>	<b>18,040</b>	<b>(721,087)</b>	<b>5,424,558</b>

The annexed notes from 1 to 19 form an integral part of these interim condensed financial statements.

Jahangir Siddiqui  
Chairman

Naveed Qazi  
President & Chief Executive

Rafique R. Bhimjee  
Director

Syed Amjad Ali  
Director

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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2009**

**1. STATUS AND NATURE OF BUSINESS**

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. The registered office of the Bank is situated at Shaheen Commercial Complex, Dr. Ziauddin Ahmed Road, Karachi and it operates with 71 (December 31, 2008: 39) branches / sub branches in Pakistan. The Pakistan Credit Agency (Private) Limited has assigned the long term credit rating of the Bank at A ("single A") and the short term rating at A1 ("A One").

**2. STATEMENT OF COMPLIANCE**

These interim condensed financial statements for six months have been prepared in accordance with the approved accounting standards as applicable to banks in Pakistan and the requirements of the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirement of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan (SBP) differ with the requirement of these standards, the requirement of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962, or the requirements of the said directives take precedence.

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

During the period, following new / revised standards, amendments and interpretations to accounting standards became effective:

**Standard or Interpretation**

- IAS 1 – Presentation of Financial Statements (Revised)
- IAS 23 – Borrowing Costs (Revised)
- IAS 32 - Financial Instruments: Presentation - Amendments regarding Puttable Financial Instruments
- IFRS 2 – Share-Based Payment – Vesting Conditions and Cancellations
- IFRS 4 – Insurance Contracts
- IFRS 8 – Operating Segments
- IFRIC 13 – Customer Loyalty Programs
- IFRIC 15 – Agreements for the Construction of Real Estate
- IFAS 2 – Ijarah

Adoption of the above standards, amendments and interpretations did not affect the accounting policies of the Bank as disclosed in the annual financial statements for the year ended December 31, 2008. However, the revised IAS 1 was issued in September 2007 with subsequent amendments in November 2008 and was effective for financial years beginning on or after January 01, 2009. As the standard separates owner and non-owner changes in equity, the statement of changes in equity will include only details of transactions attributable to or with owners, with non-owner changes in equity presented in a single line as "other component of equity". In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. Since the Bank has strictly followed the format of half-yearly financial statements prescribed by the SBP through the BSD Circular Letter No. 2 of 2004, therefore the above referred changes introduced through IAS 1 (revised) have not been taken into consideration in the preparation of these half-yearly financial statements.

The disclosures made in these interim condensed financial statements have been limited based on the format prescribed by the SBP vide BSD Circular letter No. 2 dated May 12, 2004 and IAS 34, "Interim Financial Reporting". They do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the bank for the year ended December 31, 2008.

### 3. ESTIMATES

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by the management in applying the accounting policies and the key sources of estimation uncertainty were the same as those applied to financial statements for the year ended December 31, 2008.

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are the same as those applied in the preparation of annual financial statements of the Bank for the year ended December 31, 2008.

### 5. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies are consistent with those disclosed in the financial statements of the Bank for the year ended December 31, 2008.

### 6. LENDINGS TO FINANCIAL INSTITUTIONS

		June 30, 2009	December 31, 2008
	Note	----- (Rupees in '000) -----	
Call money lendings	6.1	1,315,000	525,000
Repurchase agreement lendings (Reverse Repo)	6.2	1,406,642	880,210
		<u>2,721,642</u>	<u>1,405,210</u>

6.1 This amount includes lendings to JS Investments Limited, a related party, amounting to Rs.340.000 million (December 31, 2008: Rs.325.000 million) and carrying mark-up at rates ranging from 15.77% to 15.90% (December 31, 2008: 21%) per annum.

6.2 This amount includes reverse repurchase agreement lending made to JS Investments Limited, a related party, amounting to Rs.88.000 million (December 31, 2008: Rs.88.000 million) carrying mark-up at the rate of 15.77% (December 31, 2008: 21%) per annum.

## 7. INVESTMENTS

	June 30, 2009			December 31, 2008		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
Note	----- (Rupees in '000) -----					
<b>7.1 INVESTMENTS BY TYPES:</b>						
<b>Held for trading securities</b>						
Pakistan Investment Bonds	48,963	-	48,963	-	-	-
Ordinary Shares of listed companies	-	-	-	21,186	-	21,186
Close end mutual funds	-	-	-	5	-	5
	48,963	-	48,963	21,191	-	21,191
<b>Available - for - sale securities</b>						
Market Treasury Bills	2,854,479	1,342,376	4,196,855	2,851,240	-	2,851,240
Pakistan Investment Bonds	1,999,718	-	1,999,718	448,672	-	448,672
Ordinary Shares of listed companies	435,887	-	435,887	450,030	-	450,030
Preference Shares of listed company	95,503	-	95,503	95,503	-	95,503
Term Finance Certificates-listed	813,269	-	813,269	688,019	-	688,019
Term Finance Certificates-unlisted	523,772	-	523,772	485,283	-	485,283
Sukuk Certificates	110,000	-	110,000	110,000	-	110,000
Close end mutual funds	321,511	-	321,511	321,511	-	321,511
Open end mutual funds	275,000	-	275,000	275,000	-	275,000
Advance in respect of investments	45,000	-	45,000	100,000	-	100,000
	7,474,139	1,342,376	8,816,515	5,825,258	-	5,825,258
<b>Total investments at cost</b>	<b>7,523,102</b>	<b>1,342,376</b>	<b>8,865,478</b>	<b>5,846,449</b>	<b>-</b>	<b>5,846,449</b>
Less: provision for diminution in value of investment	(320,693)	-	(320,693)	-	-	-
<b>Investments (net of provision)</b>	<b>7,202,409</b>	<b>1,342,376</b>	<b>8,544,785</b>	<b>5,846,449</b>	<b>-</b>	<b>5,846,449</b>
Surplus / (deficit) on revaluation of held for trading securities	782	-	782	(1,307)	-	(1,307)
(Deficit)/ surplus on revaluation of available for sale securities	(111,568)	2,966	(108,602)	(706,433)	-	(706,433)
	<u>7,091,623</u>	<u>1,345,342</u>	<u>8,436,965</u>	<u>5,138,709</u>	<u>-</u>	<u>5,138,709</u>

7.1.1 This includes investment in Azgard Nine Limited, a related party, amounting to Rs.96.036 million (December 31, 2008:Rs.96.036 million) and having market value of Rs.69.077 million (December 31, 2008: Rs.42.328 million).

7.1.2 Included herein are investments in following related parties:

- Pak American Fertilizer Limited, a related party, amounting to Rs.149.91 million (December 31, 2008: Rs.149.94 million).
- Azgard Nine Limited, a related party, amounting to Rs.149.91 million (December 31, 2008: Rs.149.94 million).

7.1.3 Included herein are investments in following related parties:

- JS Large Capital Fund (formerly UTP Large Capital Growth Fund) amounting to Rs.193.646 million (December 31, 2008: Rs.193.646 million) and having market value of Rs.75.280 million (December 31, 2008: Rs.55.673 million).
- JS Value Fund amounting to Rs.99.7 million (December 31, 2008: Rs.99.7 million) and having market value of Rs.38.918 million (December 31, 2008: Rs.39.268 million).

7.1.4 This includes investment Crosby Dragon Fund, a related party, amounting to Rs.250.000 million (December 31, 2008: Rs.250.000 million) and having market value of Rs.122.857 million (December 31, 2008: Rs.102.454 million).

7.1.5 During the current period, as part of the agreement, Allied Bank Limited (ABL) repaid Rs.55.000 million against advance paid by the Bank in respect of Pre-IPO of Term Finance Certificates thereof. TFCs will now be issued by ABL for the remaining amount. The said amount carries interest at the rate of 13.91% per annum as applicable on the TFCs.

	Note	June 30, 2009	December 31, 2008
----- (Rupees in '000) -----			
<b>8. ADVANCES</b>			
Loans, cash credits, running finances, etc. in Pakistan	8.1	8,804,558	9,558,599
Bills discounted and purchased (excluding market treasury bills)			
Payable in Pakistan		801,190	56,786
Payable outside Pakistan		215,146	143,375
		1,016,336	200,161
Financing in respect of Continuous Funding System (CFS)		-	51,333
Advances - gross		9,820,894	9,810,093
Provision for non-performing advances			
- specific		(329,402)	(122,085)
- general (against consumer financing)		(5,820)	(7,559)
		(335,222)	(129,644)
Advances - net of provision		9,485,672	9,680,449

8.1 Advances include Rs.548.144 million (December 31, 2008: Rs.455.504 million) which have been placed under non-performing status as detailed below:

Category of Classification	June 30, 2009					
	Note	Domestic	Overseas	Total	Provision Required	Provision Held
----- (Rupees in '000) -----						
Other assets especially mentioned						
Substandard		154,819	-	154,819	27,955	27,955
Doubtful		34,723	-	34,723	9,715	9,715
Loss	8.2	358,602	-	358,602	291,732	291,732
		548,144	-	548,144	329,402	329,402

Category of Classification	December 31, 2008					
		Domestic	Overseas	Total	Provision Required	Provision Held
----- (Rupees in '000) -----						
Other assets especially mentioned						
Substandard		351,900	-	351,900	18,481	18,481
Doubtful		-	-	-	-	-
Loss		103,604	-	103,604	103,604	103,604
		455,504	-	455,504	122,085	122,085

8.2 This includes Rs.106.646 million provided in respect of advance given to DCD Services (Private) Limited, a related party.

	Note	June 30, 2009	December 31, 2008
----- (Rupees in '000) -----			
<b>9. OPERATING FIXED ASSETS</b>			
Capital work-in-progress		67,659	11,442
Property and equipment	9.1	1,150,823	864,261
Intangible assets		1,628,435	1,621,180
		2,846,917	2,496,883

9.1 During the current period, the Bank acquired fixed assets amounting to Rs.363.190 million and disposed off fixed assets costing Rs.0.947 million and having a written down value of Rs.0.116 million.

	June 30, 2009	December 31, 2008
Note	----- (Rupees in '000) -----	
<b>10. BORROWINGS</b>		
<b>Secured</b>		
Borrowings from SBP under export refinancing scheme	631,960	50,000
Repurchase agreement borrowing	<u>1,345,048</u>	<u>99,510</u>
	1,977,008	149,510
<b>Unsecured</b>		
Call borrowing	1,390,000	385,000
Overdrawn nostro accounts	-	3,145
	<u>3,367,008</u>	<u>537,655</u>
<b>11. DEPOSITS AND OTHER ACCOUNTS</b>		
Fixed deposits	8,406,369	5,747,372
Savings deposits	3,304,640	2,632,729
Current accounts – non-remunerative	2,819,207	2,640,939
Margin accounts	50,733	14,351
	<u>14,580,949</u>	<u>11,035,391</u>
<b>Financial Institutions</b>		
Remunerative deposits	4,317,916	4,208,938
Non-remunerative deposits	151,938	49,944
	<u>4,469,854</u>	<u>4,258,882</u>
	<u>19,050,803</u>	<u>15,294,273</u>
<b>Particulars of deposits</b>		
In local currency	17,358,008	14,053,862
In foreign currencies	1,692,795	1,240,411
	<u>19,050,803</u>	<u>15,294,273</u>
<b>12. CONTINGENCIES AND COMMITMENTS</b>		
<b>12.1 Transaction-related Contingent Liabilities</b>		
Includes performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees and standby letters of credit related to particular transactions.		
i) Government	244,681	68,143
ii) Banking companies and other financial institutions	11,527	3,229
iii) Others	400,585	423,175
	<u>656,793</u>	<u>494,547</u>
<b>12.2 Trade-related Contingent Liabilities</b>		
Documentary credits	<u>2,033,327</u>	<u>766,016</u>

	June 30, 2009	December 31, 2008
Note	----- (Rupees in '000) -----	
<b>12.3 Other Contingencies</b>		
Claims not acknowledged as debts	<u>69,171</u>	<u>97,655</u>
<b>12.4 Commitments in respect of forward exchange contracts</b>		
Purchase	<u>1,768,604</u>	<u>2,313,977</u>
Sale	<u>3,441,470</u>	<u>2,139,944</u>
<b>12.5 Commitments for the acquisition of operating fixed assets</b>	<u>164,984</u>	<u>102,798</u>
<b>12.6 Other commitments</b>		
Forward purchase commitments	<u>425,000</u>	<u>-</u>
Forward sale commitments	<u>420,000</u>	<u>-</u>
Underwriting commitments	<u>203,643</u>	<u>197,746</u>

### 13. ADMINISTRATIVE EXPENSES

This includes salaries, wages and allowances amounting to Rs.334.752 million (June 30, 2008: Rs.213.424 million), rent, taxes, insurance and electricity charges amounting to Rs.122.924 million (June 30, 2008: Rs.63.249 million) and depreciation and amortisation amounting to Rs.103.742 million (June 30, 2008: Rs.54.054 million).

### 14. TAXATION

- 14.1** In view of the tax losses of the Bank, tax provision has been made subject to minimum taxation @ 0.5% under section 113 of Income Tax Ordinance, 2001 in these interim condensed financial statements.
- 14.2** Consistent with last year, deferred tax asset, amounting to Rs.759.163 million (2008: Rs. 495.420 million), on unused tax losses of American Express Bank Limited - Pakistan Branch and the Bank, has not been recognized in these financial statements as the Bank is of the view that due to its operations being in the initial stages, these losses would be accounted for as and when the same are utilised / probable of being recovered. At the period end, these unused tax losses amounted to Rs.2,169.036 million (2008: Rs.1,415.486 million).
- 14.3** As stated in the accounting policy for goodwill in note 6.17 to the annual financial statements of the Bank, the Bank reviews goodwill for impairment annually or more frequently if events or changes in the circumstances indicate that the carrying value may be impaired. Accordingly, the impairment test for goodwill will be carried out at the end of the current year as the management believes that there are no current events or changes in the circumstances that indicate the carrying value is impaired. Hence, the adjustments arising as a result of impairment, if any, including the effect on deferred taxation will be accounted for in the annual financial statements of the Bank.

### 15. RELATED PARTY TRANSACTIONS

Related parties comprise the parent company, directors and key management personnel of the Bank and its parent. The Bank in the normal course of business carries out transactions with various related parties.

The detail of transactions with related parties during the period are as follows:

	June 30, 2009		December 31, 2008	
	Key management personnel	Other related parties	Key management personnel	Other related parties
	----- (Rupees in '000) -----		----- (Rupees in '000) -----	
<b>Advances</b>				
Opening balance	39,346	784,035	6,493	339,398
Disbursements	1,600	56,066,554	33,900	179,956,202
Repayments	(1,735)	(55,935,032)	(1,047)	(179,511,565)
Closing balance	<u>39,211</u>	<u>915,557</u>	<u>39,346</u>	<u>784,035</u>
Mark-up / return / interest earned	<u>1,976</u>	<u>64,061</u>	<u>683</u>	<u>102,177</u>
	June 30, 2009		December 31, 2008	
	Key management personnel	Other related parties	Key management personnel	Other related parties
	----- (Rupees in '000) -----		----- (Rupees in '000) -----	
<b>Deposits</b>				
Opening balance	37,959	1,305,080	76,426	2,717,424
Deposits during the period / year	152,751	45,074,014	377,304	157,152,618
Withdrawals during the period / year	(169,066)	(43,807,223)	(415,771)	(158,564,962)
Closing balance	<u>21,644</u>	<u>2,571,871</u>	<u>37,959</u>	<u>1,305,080</u>
Mark-up / return / interest expensed	<u>1,024</u>	<u>79,487</u>	<u>2,007</u>	<u>286,372</u>

The related party status of outstanding receivables and payable as at June 30, 2009 is included in respective notes to the interim condensed financial statements. Material transactions with related parties are given below:

Relationship with the bank	Nature of transactions	June 30,	December 31,
		2009	2008
		----- (Rupees in '000) -----	
<b>Companies having common directorship</b>			
	Purchase of Term Finance Certificates	-	83,367
	Sale of Term Finance Certificates	141,147	1,362,552
	Sale of Government Securities	2,090,204	1,630,435
	Purchase of shares	-	20
	Sale of shares	19	-
	Payment of insurance premium	14,497	14,636
	Insurance claim received	575	1,798
<b>Parent company</b>			
	Subscription in right shares	432,761	586,477
	Purchase of shares	-	83
	Sale of shares	54	-



	June 30, 2009	December 31, 2008
	----- (Rupees in '000) -----	
<b>Companies in which parent company holds 20% or more</b>		
Purchase of Term Finance Certificates	146,011	268,464
Sale of Term Finance Certificates	73,091	23,849
Purchase of Government Securities	1,343,476	32,573
Sale of Government Securities	2,570,315	146,139
Purchase of fixed assets	-	348
Sale of shares	4,162	133,073
Purchase of shares	-	112
Rent expense paid / accrued	1,253	1,409
Call lending / Reverse Repo	4,902,000	5,831,000
Commission paid / accrued	1,022	4,616
Dividend income	-	64,564
Advisory fee for Term Finance Certificates	-	3,000
<b>Other related parties</b>		
Trustee fee	1,339	5,712
Purchase of shares	-	7
Sale of shares	-	10
Call lending	-	1,010,000
Foreign currency purchase transaction	6,111,849	872,050
Foreign currency sale transaction	5,640,933	698,730
Purchase of units	-	596,078
Sale of units	-	368,130
Commission income	3,742	3,260

#### 16. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	June 30, 2009					
	Corporate finance	Trading & sales	Retail banking	Commercial banking	Payment & settlement	Others
	----- (Rupees in '000) -----					
Total income	3,694	601,586	91,645	646,520	8,553	156
Total expenses	3,623	795,124	454,843	815,355	5,656	70,384
Net income / (loss)	<u>71</u>	<u>(193,538)</u>	<u>(363,198)</u>	<u>(168,835)</u>	<u>2,897</u>	<u>(70,228)</u>

	June 30, 2008					
	Corporate finance	Trading & sales	Retail banking	Commercial banking	Payment & settlement	Others
	(Rupees in '000)					
Total income	10,160	738,279	77,430	373,933	7,682	146
Total expenses	6,277	357,140	171,052	434,606	3,726	74,587
Net income / (loss)	3,883	381,139	(93,622)	(60,673)	3,956	(74,441)

#### 17. RECLASSIFICATION

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

<u>Reclassification from</u>	<u>Reclassification to</u>	<u>Amount Rupees in '000'</u>
Advances	Investment - available-for-sale	18,750

#### 18. DATE OF AUTHORISATION FOR ISSUE

These interim condensed financial statements were authorised for issue by the Board of Directors on August 25, 2009.

#### 19. GENERAL

19.1 Figures of the profit and loss account for the quarters ended June 30, 2009 and June 30, 2008 have not been subjected to limited scope review by the auditors as they are only required to review half-yearly figures.

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

Jahangir Siddiqui  
Chairman

Naveed Qazi  
President & Chief Executive

Rafique R. Bhimjee  
Director

Syed Amjad Ali  
Director

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