



JS Bank Limited
Interim Condensed Financial Statements
for the nine month period ended September 30, 2010
(Un-audited)



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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 Mr. Shahab Khawaja* Mr. Basir Shamsie
President & Chief Executive Officer		Mr. Kalim-ur-Rahman
Audit Committee	Chairman Member Member	Mr. Jahangir Siddiqui Mr. Maqbool A. Soomro Mr. Rafique R. Bhimjee
Company Secretary		Mr. Muhammad Yousuf Amanullah
Auditors		Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants <small>(Member firm of Ernst & Young Global Limited)</small>
Legal Advisors		Bawaney & Partners Liaquat Merchant Associates
Share Registrar		Technology Trade (Pvt.) Limited 241-C, Block-2, P.E.C.H.S., Karachi
Registered Office		JS Bank Limited Shaheen Commercial Complex Dr. Ziauddin Ahmed Road P.O. Box 4847 Karachi-74200, Pakistan.

*Appointment as director is subject to the approval from the State Bank of Pakistan

DIRECTORS' REPORT

On behalf of the Board of Directors, I am pleased to present the un-audited financial statements for the nine months period and third quarter ended September 30, 2010.

Pakistan's economic scene suffered a major set-back during the period due to massive flooding, which inundated one fifth of the country. Latest estimates by multilateral agencies place the cost of relief efforts, rehabilitation of the displaced people and reconstruction of the infrastructure at about US \$ 9.7 billion. Presently, the Government, NGOs and foreign donors are fully occupied with the short term relief efforts – providing shelter, food, clean water, medicines and disease control. However, rehabilitation of the flood affectees, redevelopment of the land and reconstruction of the destroyed infrastructure will be a more long drawn process, with severe repercussions on the country's growth targets. This situation has also forced the Government to turn to the IMF again for support, and a sum of US \$ 451 million has been loaned under the Emergency Natural Disaster Assistance (ENDA) to meet the needs of providing immediate relief to the flood affectees. However, further disbursements under the US \$ 11.2 billion SBA programme have been delayed by the IMF as the Government was unable to meet some of the conditionalities for the release of the final two tranches.


Inflation was high – as prices were pushed up by both the floods and the Ramadan effect, with CPI averaging at 12.79% in the first 2 months of FY 11. This, along with increased Government borrowings, led the State Bank of Pakistan (SBP) to raise the discount rate twice in this quarter, up a cumulative 100 bps, to 13.5%. This is likely to subdue the already low credit offtake credit outstandings declined during the period by 1% to Rs 3.3 trillion; as did the banking industry deposits, which fell by 1.2% to Rs 4.7 trillion.

Financial & Business Review

The strategic investment made by the Bank during 2009 in the expansion of its infrastructure, including the opening of 62 new branches and sub-branches, is beginning to pay off and several of the branches are now in profit. At the same time, the 103 branches / sub-branches in 49 cities and towns have placed the bank in a strong competitive position vis-à-vis the other mid-sized banks. Our long term strategy will remain to further strengthen our branch network to increase brand awareness and mobilize low cost deposits. On the lending side, we intend to increase our focus on the Commercial and Retail sectors. We also believe that in the years to come, the expanded branch network, a low cost deposit base and quality lending will greatly boost the financial performance of the Bank.

During the nine months period under review, the Balance Sheet of your Bank grew by 7.17% to Rs 35.25 billion from Rs 32.89 billion as at December 31, 2009, mainly due to an increase in the Bank's deposit base from Rs 21.31 billion to Rs. 23.52 billion, an increase of 10.37%. On the asset side, the main growth was recorded in investments, which grew by 40.92% to Rs. 13.43 billion. Your bank has suffered a net loss after tax of Rs 404.87 million during the nine months period, as compared to a loss of Rs 1,252.49 million in the corresponding period last year. Our loss after tax for the quarter ended September, 2010 stands at Rs 67.82 million as compared to a loss of Rs 459.66 million for the third quarter of 2009. We are confident that we will see further improvement in our results in the following quarters.

To meet the shortfall in the Minimum Capital Requirement for 2009, as prescribed by the SBP, the Bank is in the process of issuing 202,210,965 right shares at a price of Rs. 3/- per share i.e. at a discount of Rs. 7/- per share. In this regard, all the regulatory approvals are in place and the last date of subscription of right shares was October 20, 2010. The rights issue is fully underwritten. To meet the Capital requirements for the year ending December 31, 2010, we have certain plans regarding which we are holding discussions with the State Bank of Pakistan.



As communicated earlier, the Pakistan Credit Rating Agency (PACRA) has maintained the long-term and short-term entity ratings of JS Bank Limited at “A” (Single A) and “A1” (A One), respectively. These ratings denote low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments.

We would like to express our sincere thanks and gratitude to the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan, the Karachi Stock Exchange and other regulatory authorities for the guidance and support provided by them. We would also like to thank our valued clients for their continued patronage and confidence in the Bank. The Board would also like to place on record its appreciation for the hard work, dedication, professionalism and sincere efforts of the senior management, officers and staff of the Bank, at all levels.

Karachi: October 26, 2010

On behalf of the Board

Kalim-ur-Rahman
President &
Chief Executive Officer

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2010

	Note	Unaudited September 30, 2010	Audited December 31, 2009
----- (Rupees in '000) -----			
ASSETS			
Cash and balances with treasury banks		1,972,206	1,764,403
Balances with other banks		290,367	1,820,857
Lendings to financial institutions	7	3,559,835	3,482,564
Investments	8	13,434,610	9,535,555
Advances	9	11,187,072	11,689,653
Operating fixed assets	10	2,924,781	3,039,329
Deferred tax assets		1,056,748	924,907
Other assets		824,836	637,652
		35,250,455	32,894,920
LIABILITIES			
Bills payable		714,062	320,492
Borrowings		5,324,541	5,039,635
Deposits and other accounts	11	23,520,458	21,313,791
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		508,333	566,443
		30,067,394	27,240,361
NET ASSETS		5,183,061	5,654,559
REPRESENTED BY:			
Share capital		6,127,605	6,127,605
Reserves		18,040	18,040
Accumulated losses		(928,064)	(523,192)
		5,217,581	5,622,453
(Deficit) / surplus on revaluation of assets - net of tax		(34,520)	32,106
		5,183,061	5,654,559
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The annexed notes from 1 to 16 form an integral part of these interim condensed financial statements.

Jahangir Siddiqui
Chairman

Kalim-ur-Rahman
President & Chief Executive

Mazhar-ul-Haq Siddiqui
Director

Basir Shamsie
Director

Nine Months Ended 2010 | 05

**INTERIM CONDENSED PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2010**

	Quarter ended September 30, 2010	Period ended September 30, 2010	Quarter ended September 30, 2009	Period ended September 30, 2009
Note	(Rupees in '000)			
Mark-up / return / interest earned	862,097	2,468,414	641,583	1,828,306
Mark-up / return / interest expensed	563,385	1,660,570	497,707	1,314,729
Net mark-up / interest income	298,712	807,844	143,876	513,577
Provision against non-performing loans and advances	(25,756)	(48,737)	(111,450)	(317,028)
Provision for impairment in value of investments	-	(77,341)	(33,722)	(357,492)
Bad debts written off directly	-	-	-	-
	(25,756)	(126,078)	(145,172)	(674,520)
Net mark-up / interest income after provisions	272,956	681,766	(1,296)	(160,943)
NON MARK-UP / INTEREST INCOME				
Fee, commission and brokerage income	47,748	127,438	26,440	76,612
Dividend income	11,133	22,483	1,856	6,886
Income from dealing in foreign currencies	3,374	4,408	35,652	72,804
Gain on sale / redemption of securities	13,584	36,760	(29,725)	42,414
Unrealised (loss) / gain on revaluation of investments classified as held for trading	(18)	-	(581)	201
Other income	-	12	534	690
Total non-mark-up / interest income	75,821	191,101	34,176	199,607
	348,777	872,867	32,880	38,664
NON MARK-UP / INTEREST EXPENSES				
Administrative expenses	407,780	1,327,224	502,917	1,277,366
(Reversal)/provision against off-balance sheet obligation-net	-	-	(13,751)	1,225
Fixed assets written off	-	16,267	-	-
Other charges	(557)	1,286	-	810
Total non-mark-up / interest expenses	407,223	1,344,777	489,166	1,279,401
	(58,446)	(471,910)	(456,286)	(1,240,737)
Extra ordinary / unusual items	-	-	-	-
LOSS BEFORE TAXATION	(58,446)	(471,910)	(456,286)	(1,240,737)
Taxation				
- Current	(9,379)	(26,595)	(3,380)	(10,140)
- Prior years	-	-	-	-
- Deferred	-	93,633	-	(1,620)
	(9,379)	67,038	(3,380)	(11,760)
LOSS AFTER TAXATION	(67,825)	(404,872)	(459,666)	(1,252,497)
Basic and diluted (loss) per share (Rupee)	(0.11)	(0.66)	(0.76)	(2.07)

The annexed notes from 1 to 16 form an integral part of these interim condensed financial statements.

Jahangir Siddiqui
Chairman

Kalim-ur-Rahman
President & Chief Executive

Mazhar-ul-Haq-Siddiqui
Director

Basir Shamsie
Director

Nine Months Ended 2010 | 06

**INTERIM CONDENSED CASH FLOW STATEMENT (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2010**

	September 30, 2010	September 30, 2009
	----- (Rupees in '000) -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(471,910)	(1,240,737)
Less: Dividend income	(22,483)	(6,886)
	<u>(494,393)</u>	<u>(1,247,623)</u>
Adjustments:		
Depreciation	167,742	123,888
Amortisation of intangibles	11,489	41,171
Charge for defined benefit plan	23,356	19,327
Unrealised gain on revaluation of investments classified as held for trading	-	(201)
Reversal of provision against non-performing advances	(89,962)	(2,400)
Fixed assets written off	16,267	
Provision against non-performing advances	138,363	319,428
Provision for impairment in value of investments	77,341	357,492
Loss/ (gain) on sale of fixed assets	601	(690)
	<u>345,197</u>	<u>858,015</u>
	(149,196)	(389,608)
(Increase) / decrease in operating assets		
Lendings to financial institutions	(77,271)	(1,026,609)
Held for trading securities	-	(77,259)
Advances	454,181	(1,193,042)
Other assets	(208,567)	43,857
	168,343	(2,253,053)
Increase / (decrease) in operating liabilities		
Bills payable	393,570	120,532
Borrowings	297,881	2,524,480
Deposits	2,206,667	3,760,430
Other liabilities	(81,466)	133,660
	<u>2,816,652</u>	<u>6,539,102</u>
	2,835,799	3,896,441
Income tax paid	(5,214)	(1,812)
Net cash flow from operating activities	<u>2,830,585</u>	<u>3,894,629</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investment in available for sale securities	(4,081,231)	(3,401,542)
Dividend income	22,483	6,886
Investment in operating fixed assets	(86,984)	(606,602)
Sale proceeds of property and equipment disposed-off	5,435	1,148
Net cash used in from investing activities	<u>(4,140,297)</u>	<u>(4,000,110)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Issue of share capital	-	432,761
(Decrease) / increase in cash and cash equivalents	(1,309,712)	327,280
Cash and cash equivalents at beginning of the period	3,572,285	1,954,373
Cash and cash equivalents at end of the period	<u>2,262,573</u>	<u>2,281,653</u>

The annexed notes from 1 to 16 form an integral part of these interim condensed financial statements.

Jahangir Siddiqui
Chairman

Kalim-ur-Rahman
President & Chief Executive

Mazhar-ul-Haq-Siddiqui
Director

Basir Shamsie
Director

Nine Months Ended 2010 | 07

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2010

	Issued, Subscribed and paid-up share capital	Statutory reserve	Unappropriated profit / (accumulated loss)	Total
	----- (Rupees in '000) -----			
Balance as at January 1, 2009	5,694,844	18,040	71,744	5,784,628
Issue of ordinary shares of Rs.10/- each against cash	432,761	-	-	432,761
Total comprehensive loss for the nine months period ended September 30, 2009	-	-	(1,252,497)	(1,252,497)
Balance as at September 30, 2009	6,127,605	18,040	(1,180,753)	4,964,892
Profit after taxation for the quarter ended December 31, 2009	-	-	657,561	657,561
Balance as at December 31, 2009	6,127,605	18,040	(523,192)	5,622,453
Total comprehensive loss for the nine months period ended September 30, 2010	-	-	(404,872)	(404,872)
Balance as at September 30, 2010	6,127,605	18,040	(928,064)	5,217,581

The annexed notes from 1 to 16 form an integral part of these interim condensed financial statements.

Jahangir Siddiqui
Chairman

Kalim-ur-Rahman
President & Chief Executive

Mazhar-ul-Haq-Siddiqui
Director

Basir Shamsie
Director

Nine Months Ended 2010 | 08

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2010

	Quarter ended September 30, 2010	Period ended September 30, 2010	Quarter ended September 30, 2009	Period ended September 30, 2009
	----- (Rupees in '000) -----			
Loss for the period	(67,825)	(404,872)	(459,666)	(1,252,497)
Other comprehensive income / (loss)	-	-	-	-
Total comprehensive loss for the period	<u>(67,825)</u>	<u>(404,872)</u>	<u>(459,666)</u>	<u>(1,252,497)</u>

(Deficit) / 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 16 form an integral part of these interim condensed financial statements.

Jahangir Siddiqui
Chairman

Kalim-ur-Rahman
President & Chief Executive

Mazhar-ul-Haq-Siddiqui
Director

Basir Shamsie
Director

Nine Months Ended 2010|09

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2010

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. The registered office of the Bank is situated at Shaheen Commercial Complex, Dr. Ziauddin Ahmed Road, Karachi and it operates with 103 (December 31, 2009: 101) branches / sub branches in Pakistan. The Pakistan Credit Rating Agency (Private) Limited (PACRA) has assigned the long term credit rating of the Bank at A ("single A") and the short term rating at A1 ("A One").

1.2 The State Bank of Paksitan (SBP) 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 same is to be achieved in a phased manner requiring Banks/DFIs to raise their paid up capital (free of losses) to Rs 6 billion and Rs. 7 billion by end of the financial year 2009 and 2010, respectively.

The Bank had been granted an exemption by SBP till September 30, 2010 to meet the minimum capital requirement for the year ended December 31, 2009. However, the paid up capital (free of losses) of the Bank as at September 30, 2010 stood at Rs. 5.21 billion.

The Bank is in the process of issuing 202,210,965 right shares at a price of Rs. 3/- per share i.e. at a discount of Rs. 7/- per share to meet the shortfall in the minimum capital requirement for 2009. In this regard, all the regulatory approvals have been secured and the rights issue is fully under written. After the subscription of right shares, the paid-up capital (net of losses) will be raised to Rs 5.82 billion.

To ensure compliance with minimum capital requirements, the Bank is also discussing various structures/ options with SBP in relation to raising capital and is hopeful that SBP will grant further extensions within which such structures/ options can be implemented.

2. BASIS OF PRESENTATION

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

3. STATEMENT OF COMPLIANCE

These interim condensed financial statements of the Bank for the nine months period ended September 30, 2010 have been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting, provisions of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. In case where requirements differ, the provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed.

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 to banks. Accordingly, the requirements of these standards have not been considered in the preparation of these interim condensed financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

The disclosures made in these interim condensed financial statements have, however, been limited based on a format prescribed by the State Bank of Pakistan vide BSD Circular No. 2 dated May 12, 2004 and International Accounting Standard 34, Interim Financial Reporting. They do not include all the disclosures required for annual financial statements, and these interim condensed financial statements should be read in conjunction with the annual financial statements of the Bank for the year ended December 31, 2009.

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

IAS 27 -	Consolidated and Separate Financial Statements (Amendments)
IFRS 2 -	Share Based Payments: Amendments relating to Group Cash-settled Share-based Payment Transaction
IFRS 3 -	Business Combinations (Revised)
IFRIC 17 -	Distributions of Non-cash Assets to owners

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, 2009.

4. BASIS OF MEASUREMENT

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

5. ESTIMATES

The preparation of interim condensed 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 the annual financial statements for the year ended December 31, 2009.

6. SIGNIFICANT ACCOUNTING POLICIES AND FINANCIAL RISK MANAGEMENT

The accounting policies and the methods of computation adopted in the preparation of these interim condensed financial statements are the same as those applied in the preparation of the annual financial statements for the year ended December 31, 2009.

The financial risk management objectives and policies are consistent with those disclosed in the annual financial statements of the Bank for the year ended December 31, 2009.

7. LENDINGS TO FINANCIAL INSTITUTIONS

	Unaudited September 30, 2010	Audited December 31, 2009
	----- (Rupees in '000) -----	
Call money lendings	1,300,000	1,865,000
Repurchase agreement lendings (Reverse Repo)	1,828,230	1,364,839
Term deposit	431,605	252,725
	<u>3,559,835</u>	<u>3,482,564</u>
	Nine Months Ended 2010 11	

8. INVESTMENTS	Unaudited September 30, 2010			Audited December 31, 2009		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
Note	----- (Rupees in '000) -----					
8.1 INVESTMENTS BY TYPES:						
Held for trading securities						
Pakistan Investment Bonds	-	-	-	-	-	-
Ordinary Shares of listed companies	-	-	-	-	-	-
Close end mutual funds	-	-	-	-	-	-
Available for sale securities						
Market Treasury Bills	7,222,918	2,621,198	9,844,116	2,424,736	2,922,331	5,347,067
Pakistan Investment Bonds	485,447	-	485,447	744,828	481,924	1,226,752
Ordinary Shares of listed companies	190,091	-	190,091	668,558	-	668,558
Preference Shares of listed company	95,503	-	95,503	95,503	-	95,503
Term Finance Certificates-listed	1,270,927	-	1,270,927	1,217,718	-	1,217,718
Term Finance Certificates-unlisted	8.1.1 1,017,746	-	1,017,746	506,540	-	506,540
Sukuk Certificates	312,626	-	312,626	158,330	-	158,330
Close end mutual funds	8.1.2 126,505	-	126,505	321,511	-	321,511
Open end mutual funds	8.1.2 193,647	-	193,647	122,606	-	122,606
US Dollar Bonds	237,938	-	237,938	116,232	-	116,232
	11,153,348	2,621,198	13,774,546	6,376,562	3,404,255	9,780,817
Total investments at cost	11,153,348	2,621,198	13,774,546	6,376,562	3,404,255	9,780,817
Less: provision for impairment in value of investment	(284,495)	-	(284,495)	(294,656)	-	(294,656)
Investments (net of provision)	10,868,853	2,621,198	13,490,051	6,081,906	3,404,255	9,486,161
Surplus / (deficit) on revaluation of held for trading securities	-	-	-	-	-	-
(Deficit) / surplus on revaluation of available for sale securities	(47,504)	(7,937)	(55,441)	48,070	1,324	49,394
	10,821,349	2,613,261	13,434,610	6,129,976	3,405,579	9,535,555

8.1.1 Included herein are investments in following related parties:

- Agri Tech Limited (formerly: Pak American Fertilizer Limited), a related party, amounting to Rs.149.88 million at the rate of 6 months KIBOR ask rate + 1.75% maturing on November 29, 2014 (December 31, 2009: Rs.149.88 million).
- Azgard Nine Limited, a related party, amounting to Rs.149.88 million at the rate of 6 months KIBOR ask rate + 2.25% maturing on December 24, 2014 (December 31, 2009: Rs.149.910 million).

8.1.2 Included herein are investments in following related parties:

- a) JS Value Fund amounting to Rs.99.701 million (December 31, 2009: Rs.99.701 million) and having market value of Rs.25.013 million (December 31, 2009: Rs.49.151 million).
- b) JS Large Cap. Fund (formerly: UTP Large Cap. Fund) amounting to Rs.193.646 million (December 31, 2009: Rs.193.646 million) and having market value of Rs.123.885 million (December 31, 2009: Rs.111.347 million).

	Note	Unaudited September 30, 2010 ----- (Rupees in '000) -----	Audited December 31, 2009
9. ADVANCES			
Loans, cash credits, running finances, etc. in Pakistan	9.1	11,622,725	11,100,389
Net investment in finance lease			
In Pakistan		-	-
Outside Pakistan		-	-
Bills discounted and purchased (excluding market treasury bills)			
Payable in Pakistan		90,314	1,060,996
Payable outside Pakistan		-	5,835
		90,314	1,066,831
Financing in respect of Continuous Funding System (CFS)-		-	-
Advances - gross		11,713,039	12,167,220
Provision for non-performing advances			
- specific		(523,324)	(473,082)
- general (against consumer financing)		(2,643)	(4,485)
		(525,967)	(477,567)
Advances - net of provision		11,187,072	11,689,653

9.1 Advances include Rs 2700.336 million (December 31, 2009: Rs.857.059 million) which have been placed under non-performing status as detailed below:

Category of Classification	(Unaudited) September 30, 2010 ----- (Rupees in '000) -----				
	Domestic	Overseas	Total	Provision Required	Provision Held
Other assets especially mentioned					
Substandard	1,980,870	-	1,980,870	702	702
Doubtful	40,652	-	40,652	4,740	4,740
Loss	678,814	-	678,814	517,882	517,882
	<u>2,700,336</u>	<u>-</u>	<u>2,700,336</u>	<u>523,324</u>	<u>523,324</u>
Category of Classification	(Audited) December 31, 2009 ----- (Rupees in '000) -----				
	Domestic	Overseas	Total	Provision Required	Provision Held
Other assets especially mentioned					
Substandard	107,493	-	107,493	23,111	23,111
Doubtful	277,764	-	277,764	87,360	87,360
Loss	471,802	-	471,802	362,611	362,611
	<u>857,059</u>	<u>-</u>	<u>857,059</u>	<u>473,082</u>	<u>473,082</u>

Nine Months Ended 2010 | 13

	Unaudited September 30, 2010	Audited December 31, 2009
	----- (Rupees in '000) -----	
10. OPERATING FIXED ASSETS		
Capital work-in-progress	15,672	41,976
Property and equipment	1,296,406	1,385,635
Intangible assets	<u>1,612,703</u>	<u>1,611,718</u>
	<u>2,924,781</u>	<u>3,039,329</u>
11. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	9,305,668	9,173,400
Savings deposits	6,233,517	5,645,387
Current accounts – non-remunerative	6,447,481	4,832,167
Margin accounts	<u>85,331</u>	<u>48,505</u>
	22,071,997	19,699,459
Financial Institutions		
Remunerative deposits	<u>1,340,769</u>	<u>1,532,365</u>
Non-remunerative deposits	<u>107,692</u>	<u>81,967</u>
	1,448,461	1,614,332
	<u>23,520,458</u>	<u>21,313,791</u>
Particulars of deposits		
In local currency	21,492,601	19,450,027
In foreign currencies	<u>2,027,857</u>	<u>1,863,764</u>
	<u>23,520,458</u>	<u>21,313,791</u>
12. CONTINGENCIES AND COMMITMENTS		
12.1 Transaction-related Contingent Liabilities		
Includes performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees and standby letters of credit related to particular transactions.		
i) Government	548,425	321,368
ii) Banking companies and other financial institutions	22,825	19,660
iii) Others	<u>658,055</u>	<u>626,217</u>
	1,229,305	967,245
12.2 Trade-related Contingent Liabilities		
Documentary credits	<u>1,097,019</u>	<u>1,772,874</u>
12.3 Other Contingencies		
Claims not acknowledged as debts	<u>66,481</u>	<u>66,435</u>
12.4 Commitments in respect of forward exchange contracts		
Purchase	<u>5,836,784</u>	<u>3,018,450</u>
Sale	<u>5,322,565</u>	<u>4,285,469</u>
12.5 Commitments in respect of capital expenditure	<u>5,564</u>	<u>101,610</u>

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	Unaudited September 30, 2010	Audited December 31, 2009
	----- (Rupees in '000) -----	
12.6 Other commitments		
Forward purchase commitments	<u>567,032</u>	<u>27,514</u>
Forward sale commitments	<u>265,021</u>	<u>160,836</u>

	Unaudited			
	Quarter ended September 30, 2010	Period ended September 30, 2010	Quarter ended September 30, 2009	Period ended September 30, 2009
	----- (Rupees in '000) -----			
13. OTHER CHARGES				
Penalties imposed by State Bank of Pakistan	36	685	-	810
(Gain) / Loss on sale of fixed assets	(593)	601	-	-
	<u>(557)</u>	<u>1,286</u>	<u>-</u>	<u>810</u>

14. 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:

	Unaudited September 30, 2010		Audited December 31, 2009	
	Key management personnel	Other related parties	Key management personnel	Other related parties
	----- (Rupees in '000) -----		----- (Rupees in '000) -----	
Advances				
Opening balance	36,709	1,451,187	39,346	941,246
Disbursements	1,600	34,007,687	3,386	23,631,418
Repayments	(10,726)	(32,505,143)	(6,023)	(23,121,477)
Closing balance	<u>27,583</u>	<u>2,953,731</u>	<u>36,709</u>	<u>1,451,187</u>
Mark-up / return / interest earned	<u>1,983</u>	<u>156,854</u>	<u>3,576</u>	<u>178,299</u>
Deposits				
Opening balance	24,175	1,148,445	37,959	4,246,435
Deposits during the period / year	153,917	132,351,537	259,624	299,291,572
Withdrawals during the period / year	(152,951)	(132,603,137)	(273,408)	(302,389,562)
Closing balance	<u>25,142</u>	<u>896,845</u>	<u>24,175</u>	<u>1,148,445</u>
Mark-up / return / interest expensed	<u>352</u>	<u>82,130</u>	<u>1,320</u>	<u>221,522</u>

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The related party status of outstanding receivables and payable as at September 30, 2010 are 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	September 30, 2010	December 31, 2009
		----- (Rupees in '000) -----	
Companies having common directorship	Sale of Term Finance Certificates	190,412	291,075
	Sale of Government Securities	3,039,260	3,146,230
	Purchase of Government Securities	373,651	-
	Purchase of sukuk	-	48,718
	Sale of sukuk	-	48,718
	Sale of shares	-	19
	Insurance claim received	3,659	3,078
	Commission earned	23,940	23,010
	Services received	200	-
	Payment of insurance premium	24,056	16,204
Parent company	Subscription in right shares	-	432,761
	Reimbursement of expenses	-	61
	Purchase of fixed assets	95	-
	Sale of shares	-	54
Companies in which parent company holds 20% or more	Purchase of Term Finance Certificates	80,190	291,489
	Sale of Term Finance Certificates	30,798	246,800
	Purchase of Government Securities	2,342,468	3,015,633
	Sale of Government Securities	7,191,611	5,470,426
	Purchase of fixed assets	37	-
	Sale of shares / units	310,286	4,162
	Purchase of shares / units	200,000	-
	Rent expense paid / accrued	1,844	3,971
	Call lending / Reverse Repo	3,065,000	8,944,000
	Call borrowing / Repo	3,985,000	-
	Commission paid / accrued	2,000	3,633
	Commission income	3,107	6,049
	Dividend income	5,083	8,746
	Reimbursement of expenses	903	2,525
	Redemption of Term Finance Certificate	12,048	25,179
	Purchase of forward foreign exchange contracts	3,389,961	15,018,998
	Sale of forward foreign exchange contracts	4,011,705	13,184,539
	Services rendered	16	-
Other related parties	Trustee fee	-	2,479
	Purchase of shares	-	97,763
	Sale of shares	53,748	66,320
	Purchase of Government Securities	-	4,908
	Sale of Government Securities	16,975	9,834

September 30, 2010 December 31, 2009
----- (Rupees in '000) -----

Sale of units	-	80,000
Dividend income	-	3,151
Commission earned / unearned	5,482	14,611
Services received	849	-
Consultancy fee	1,847	900

15. DATE OF AUTHORISATION FOR ISSUE

These interim condensed financial statements were authorised for issue by the Board of Directors on October 26, 2010

16. GENERAL

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

Jahangir Siddiqui
Chairman

Kalim-ur-Rahman
President & Chief Executive

Mazhar-ul-Haq-Siddiqui
Director

Basir Shamsie
Director

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