JS BANK

we value your success

JS Bank Limited
Annual Report 2009

Contents

COMPANY INFORMATION

Board of Directors	Chairman	Mr. Jahangir Siddiqui
		Mr. Mazharul Haq Siddqui
		Mr. Maqbool A. Soomro
		Mr. Ashraf Nawabi
		Mr. Rafique R. Bhimjee
		Syed Amjad Ali
		Mr. Basir Shamsie
President & Cheif Executive Officer		Mr. Naveed Qazi
Audit Committee	Chairman	Mr. Jahangir Siddiqui
	Member	Mr. Maqbool A. Soomro
	Member	Mr. Rafique R. Bhimjee
Human Resourse Committee	Chairman	Mr. Jahangir Siddiqui
	Member	Mr. Naveed Qazi
	Member	Syed Muhammad Shoaib Omair
Risk Management Committee	Chairman	Mr. Jahangir Siddiqui
	Member	Mr. Naveed Qazi
	Member	Mr. Ashraf Nawabi
	Member	Syed Amjad Ali
Company Secretary		Mr. Muhammad Yousuf Amanullah
Auditors		Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants (Member firm of Ernst & Young Global Limited)
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.

KEY HIGHLIGHTS OF 2009

- Addition of 62 new locations, growing the network to 101 on-line branches.
- Focused growth into rural and semi-urban markets.
- Network reach increased to 49 cities.
- Continued advancement of technology platform and systems.
- Invested in the JS Bank Brand.
- Centralization of operations for all branches resulting in cost efficiencies.
- Maintained strong liquidity throughout the year.
- Designated as one of the seven member banks for nationwide, real time payments under the Pakistan Remittances Initiative.
- Credit Ratings upgraded to A1 (Short Term) and A (Long Term).

NOTICE OF FOURTH ANNUAL GENERAL MEETING

Notice is hereby given that the fourth Annual General Meeting of the shareholders of JS Bank Limited will be held on Tuesday March 30, 2010 at 9:30 am at Tulip Hall, Beach Luxury Hotel, Karachi to transact the following business.

1. To confirm the minutes of the Annual General Meeting held on March 30, 2009.
2. To consider and adopt the Audited Financial Statements of the Bank for the year ended December 31, 2009 together with the Directors' Report and Auditors' Report thereon.
3. To appoint the auditors and fix their remuneration, Messrs. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, retire and being eligible offer themselves for re-appointment.
4. To elect seven directors as fixed by the Board under section 178(1) of the Companies Ordinance, 1984 for three years commencing from March 30, 2010. The retiring directors who are eligible to offer themselves for re-election are as follows.

   1) Mr. Jahangir Siddiqui
   2) Mr. Mazharul Haq Siddiqui
   3) Mr. Maqbool Ahmed Soomro
   4) Mr. Rafique R. Bhimjee
   5) Mr. Ashraf Nawabi
   6) Syed Amjad Ali
   7) Mr. Basir Shamsie

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

Karachi: March 02, 2010

By Order of the Board
Muhammad Yousuf Amanullah
Company Secretary

Notes:

(i) Share transfer books of the Bank will remain closed from March 23, 2010 to March 29, 2010 (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) Beneficial owners of the shares registered in the name 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) Any person seeking to contest the election, whether retiring Director or otherwise, must file with the Company Secretary his/her intention to offer himself/herself for election as a Director not later than 14 days before the date of the meeting. Such consent should include a declaration that they are aware of their duties and powers under the relevant law(s) and the Bank's Memorandum & Articles of Association and Listing Regulations of Stock Exchanges. If elected as a director, such person shall be subject to fit and proper test clearance by the State Bank.

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

DIRECTORS' REPORT

We are pleased to present the Fourth Annual Report of JS Bank Limited ("JSBL") along with the audited accounts and Auditors' report thereon for the year ended December 31, 2009.

Economic Review

Macro economic indicators in Pakistan registered considerable improvements in 2009, mainly led by headline inflation which eased from a high of 25% in 2008 to almost 10% by year end. Record remittances coupled with lower commodity prices provided a major boost, easing the twin external deficits. A combination of inflows from International Monetary Fund and other multilateral sources greatly helped to build foreign exchange reserves up to US $ 15 billion (22 months of import cover) at year end. However, Foreign Direct Investment suffered a sharp decline.

Weak Large Scale Manufacturing data recovered only marginally in the second half of the year. The Banking sector remained under pressure, with growth in credit off take of 4.2% (the slowest since 2002). Weak corporate demand along with erosion in asset quality hurt overall sectoral performance. Economic slow down amid high interest rates and an energy crisis affected quality of corporate earnings and had a trickle down effect on banks in the form of higher provisions which rose by Rs 55 billion in 2009. We anticipate banking sector advances to rise gradually, in line with economic activity in 2010. On a positive note, a gradual pick up in demand as infrastructure activities gather pace and from the energy sector in particular, is likely to help revive loan growth.

Business Overview

JS Bank has made strategic investments in infrastructure and human capital in 2009. These initiatives have helped position JS Bank as a mid-sized, performance driven bank in a very short span of time.

There have been multiple, comprehensive initiatives that have been launched in 2009 covering a wide array of business areas such as expansion of our branch network and provision of services via alternate delivery channels. A substantial investment was made in a national marketing campaign to give the Bank greater visibility.

During the year, the business base of the Bank was broadened. There was strong growth in the customer base and various income streams. In line with the Bank's growth strategies, considerable energy and resources have been committed to branch expansion which has seen the Bank increase its network from 39 branches/sub-branches covering 13 cities in 2008, to 101 branches/sub-branches in 49 cities. This expansion is designed to increase JS Bank's presence in Tier II and Tier III cities.

The Bank has made efforts to manage costs and ensure that it has an efficient, lean organization.

The Bank saw significant growth in our alternate delivery channels with the deployment of ATMs in over 50 locations in 2009. In addition, to ensure a high level of service and customer support, a dedicated toll free 24/7 call centre was launched. Agreements have also been signed with leading service providers in the industry for branchless banking services as well as cards products starting with debit cards.

Financial Performance

During the fiscal year, the Bank's focus was to build on its core deposit base. The bank witnessed growth in its deposit base from Rs 15.29 billion to Rs 21.31 billion, an increase of 39%. This is a significant achievement considering that the cost of deposits has also been reduced.

During the year, the bank sustained a loss after tax of Rs 594.93 million primarily due to provisioning against non-performing loans and against diminution in the value of investments. Furthermore, increased operating costs attributable to 61 new branches also contributed towards this loss.

The balance sheet grew in 2009 with the asset side of the bank improving due to higher business volumes. Total assets stood at Rs 32.89 billion up from Rs. 21.63 billion as at December 31, 2008 which was driven by 86% increase in investments and 21% increase in advances.

Summarized financial data:

			(Rupees in 000)
	2009	2008	2007
Deposits and other accounts	21,313,791	15,294,273	13,679,898
Total Assets	32,894,920	21,627,802	20,327,752
Investments	9,535,555	5,138,709	6,309,536
Advances	11,689,653	9,680,449	6,475,963
(Loss) / Profit after tax	(594,936)	54,770	35,431

Capital

The minimum Paid up Capital (free of losses) requirements for banks have been revised by State Bank of Pakistan (SBP) vide BSD Circular No. 7 dated April 15, 2009. By virtue of the said circular, banks are required to raise their paid up capital (free of losses) up to Rs 10 billion by 2013.

For the year ending December 31, 2009, all banks were required to have a minimum paid up capital (free of losses) of Rs 6 billion by December 31, 2009 however, Paid up capital (free of losses) of our bank stood at Rs 5.604 billion. The SBP has granted an extension to our bank in meeting the compliance of the Minimum Capital Requirements until June 30, 2010.

Auditors

The retiring auditors Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants, being eligible, offer themselves for re-appointment. The Audit Committee of the Bank has recommended their re-appointment until the conclusion of the next AGM.

Credit Ratings

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.

Statement on Internal Controls

Management of JS Bank Limited acknowledges its responsibility for establishing and maintaining adequate systems of internal controls and procedures. Accordingly, the management has developed policies and procedures and internal control evaluation charts across all areas of the organization. These policies and procedures are first approved by the senior management and thereafter forwarded to the Board of Directors for final approval. 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.

During the year the Management of the Bank has reviewed the system of internal controls in accordance with established benchmarks including the "Committee of Sponsoring Organizations – COSO" Framework. The Management in consultation with the external auditors has also devised testing strategies that meet the requirements of relevant international benchmarks (PCAOB Standards) for evaluating the results of testing activities. With the testing activities underway, management is geared to comply with the requirement for certification of internal controls upon finalization of reporting formats between the various Regulatory Stakeholders.

Risk Management Framework

The Bank has been proactive in adopting measures to manage, monitor and mitigate risks associated with banking activities and has placed great emphasis in the development of an effective risk management framework which contributes towards efficient mobilization and allocation of the Bank's capital. Risk management activities take place at different hierarchy levels but are supervised by the management of the Bank through a framework of policies, procedures, risk measurement and monitoring mechanism closely aligned with the banks operations.

The Bank also has a comprehensive risk management framework commensurate with the nature of its business, which includes:

- Clearly defined risk management policies and procedures covering risk identification, acceptance, measurement, monitoring, reporting and control.

- A well constituted centralized organizational structure defining roles and responsibilities of individuals involved in risk taking as well as managing it.

- An effective management information system that ensures a smooth flow of information from the operational level to top management and a system to address any exceptions observed. Any deviation to the approved standards is required to be explicitly approved by the competent level of authorities.

- A mechanism to ensure an on-going review of systems, policies and procedures for risk management and measures to adopt changes.

Statement on Corporate and Financial Reporting Framework

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

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

Employee Benefits Scheme

The Bank operates a funded provident scheme covering all its permanent employees. The un-audited balance of the fund as at December 31, 2009 was Rs 90.96 million (December 31, 2008, Rs 48.01 million).

Board Meetings

Six meetings of the Board of Directors were held during the Year 2009. The attendance of directors at Board Meetings is as follows:

Name of Director	Eligible to attend	Meetings attended
Jahangir Siddiqui, Chairman	6	6
Mazharul Haq Siddiqui	6	2
Maqbool A. Soomro	6	6
Ashraf Nawabi	6	3
Rafique R. Bhimjee	6	6
Syed Amjad Ali	6	5
Basir Shamsie	6	5
Naveed Qazi, President & CEO	6	6

Pattern of Shareholding

Statement of Pattern of Shareholding as on December 31, 2009 appears on Page No. 76 and includes the transactions carried out by the Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary and their spouses and minor children.

Acknowledgements

We would like to express our sincere thanks and gratitude for the guidance provided by the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan and the Karachi Stock Exchange (Guarantee) Limited. We would also like to thank our valued clients for their continued patronage and confidence. 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.

Jahangir Siddiqui
Chairman
Karachi: February 23, 2010

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CORPORATE GOVERNANCE

For the year ended December 31, 2009

This statement is being presented to comply with the Code of Corporate Governance 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.

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 six 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, 2009.

5. The Bank has prepared a Statement of Ethics and Business practices, which has been signed by all the Directors and 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 of approval 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 an orientation course 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 as applicable during the period.

15. The Board has formed an audit committee. It comprises three members, of whom all are non-executive directors including the Chairman of the committee.

16. 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 framed by the Board and the Audit Committee operates within the defined terms of reference.

17. 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.

18. 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.

19. 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.

20. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

Naveed Qazi
President & CEO
Karachi: February 23, 2010

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) for the year ended 31 December 2009 prepared by the Board of Directors of JS Bank Limited (the Bank) to comply with the Listing Regulation No. 35 (Chapter XI) 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 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 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular number KSE/N-269 dated 19 January 2009 requires the Bank to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any 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 for the year ended 31 December 2009.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
February 23, 2010

AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed balance sheet of JS Bank Limited (the Bank) as at 31 December 2009 and the related profit and loss account, cash flow statement, statement of comprehensive income and statement of changes in equity, together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for four branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change in accounting policy as disclosed in note 6.1 to the accompanying financial statements, with which we concur;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us the balance sheet, profit and loss account, cash flow statement, statement of comprehensive income and 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 31 December 2009 and its true balance of the loss, its comprehensive loss, 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.

Without qualifying our opinion, we draw attention to note 1.3 to the accompanying financial statements wherein the Bank has disclosed that the Bank has been granted exemption from the requirement to have the minimum paid-up capital (free of losses) of Rs.6.00 billion as at 31 December 2009 till 30 June 2010 subject to certain conditions for which the management is currently in discussion with the State Bank of Pakistan.

Karachi: February 23, 2010

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Audit Engagement Partner: Shabbir Yunus

BALANCE SHEET

As at December 31, 2009

	Note	December 31, 2009	December 31, 2008
		------- Rupees in '000 -------	
ASSETS			
Cash and balances with treasury banks	7	1,764,403	1,285,247
Balances with other banks	8	1,820,857	672,271
Lendings to financial institutions	9	3,482,564	1,405,210
Investments	10	9,535,555	5,138,709
Advances	11	11,689,653	9,680,449
Operating fixed assets	12	3,039,329	2,496,883
Deferred tax assets	13	924,907	271,646
Other assets	14	637,652	677,387
		32,894,920	21,627,802
LIABILITIES			
Bills payable	15	320,492	127,922
Borrowings	16	5,039,635	537,655
Deposits and other accounts	17	21,313,791	15,294,273
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	18	566,443	392,115
		27,240,361	16,351,965
NET ASSETS		5,654,559	5,275,837
REPRESENTED BY			
Share capital	19	6,127,605	5,694,844
Reserves		18,040	18,040
(Accumulated losses) / Unappropriated profit		(523,192)	71,744
		5,622,453	5,784,628
Surplus / (Deficit) on revaluation of assets - net of tax	20	32,106	(508,791)
		5,654,559	5,275,837
CONTINGENCIES AND COMMITMENTS	21		

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

Jahangir Siddiqui	Naveed Qazi	Syed Amjad Ali	Basir Shamsie
Chairman	President/Chief Executive	Director	Director

PROFIT AND LOSS ACCOUNT
For the year ended December 31, 2009

	Note	December 31, 2009	December 31, 2008
		------- Rupees in '000 -------	
Mark-up / Return / Interest Earned	23	2,527,295	1,975,203
Mark-up / Return / Interest Expensed	24	1,806,709	1,361,738
Net Mark-up / Interest Income		720,586	613,465
Provision against non-performing loans and advances	11.4	347,923	11,972
Provision / (Reversal) for diminution in the value of investments		424,765	(754)
Bad debts written off directly		-	-
		772,688	11,218
Net Mark-up / Interest Income after provisions		(52,102)	602,247
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income	25	132,198	103,448
Dividend Income		26,282	73,441
Income from dealing in foreign currencies		89,455	102,575
Gain on sale of securities - net	26	90,009	212,805
Unrealized loss on revaluation of investments classified as held-for-trading		-	(1,307)
Other income		1,526	1,383
Total non-mark-up / interest income		339,470	492,345
		287,368	1,094,592
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	27	1,734,815	982,624
Other provisions / write offs		-	-
Other charges	28	1,346	743
Total non-mark-up / interest expenses		1,736,161	983,367
		(1,448,793)	111,225
Extra ordinary / unusual items		-	-
(LOSS) / PROFIT BEFORE TAXATION		(1,448,793)	111,225
Taxation - Current	29	(14,334)	-
- Prior years		-	-
- Deferred	13	868,191	(56,455)
		853,857	(56,455)
(LOSS) / PROFIT AFTER TAXATION		(594,936)	54,770
(Loss) / Basic Earnings per share (Rupee)	30	(0.98)	0.11
(Loss) / Diluted Earnings per share (Rupee)	30	(0.98)	0.11

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

Jahangir Siddiqui	Naveed Qazi	Syed Amjad Ali	Basir Shamsie
Chairman	President/Chief Executive	Director	Director

CASH FLOW STATEMENT

For the year ended December 31, 2009

	December 31, 2009	December 31, 2008
	------- Rupees in '000 -------	
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss) / Profit before taxation	(1,448,793)	111,225
Less: Dividend income	(26,282)	(73,441)
	(1,475,075)	37,784
Adjustments:		
Depreciation	175,152	78,615
Amortisation of intangible assets	55,210	48,700
Charge for defined benefit plan	19,223	9,826
Unrealised loss on revaluation of investments classified as held for trading	-	1,307
Reversal of provision against non-performing advances	(16,699)	(1,928)
Provision against non-performing advances	364,622	13,900
Provision / (Reversal of provision) for impairment in the value of investments	424,765	(754)
Gain on sale of fixed assets	(1,526)	(617)
	1,020,747	149,049
	(454,328)	186,833
(Increase) / decrease in operating assets		
Lendings to financial institutions	(2,077,354)	2,196,001
Held for trading securities	19,884	90,053
Advances	(2,357,127)	(3,235,208)
Other assets	28,652	(44,997)
	(4,385,945)	(994,151)
Increase / (decrease) in operating liabilities		
Bills payable	192,570	(599,257)
Borrowings	4,492,150	63,355
Deposits	6,019,518	1,614,375
Other liabilities	155,105	136,568
	10,859,343	1,215,041
	6,473,398	220,890
Income tax paid	(3,251)	(4,547)
Net cash flow from operating activities (Balance c/f)	6,015,819	403,176

	Note	December 31, 2009	December 31, 2008
		------- Rupees in '000 -------	
Net cash flow from operating activities (Balance b/f)		6,015,819	403,176
CASH FLOW FROM INVESTING ACTIVITIES			
Net investment in available-for-sale securities		(4,085,668)	336,149
Dividend income		26,282	73,441
Investment in operating fixed assets		(774,845)	(671,152)
Sale proceeds of property and equipment disposed of		3,563	2,930
Net cash used in investing activities		(4,830,668)	(258,632)
CASH FLOW FROM FINANCING ACTIVITIES			
Issue of share capital		432,761	588,507
Net cash flow from financing activities		432,761	588,507
Effects of exchange rate changes on cash and cash equivalents		-	-
Increase / (decrease) in cash and cash equivalents		1,617,912	733,051
Cash and cash equivalents at beginning of the year		1,954,373	1,221,322
Cash and cash equivalents at end of the year	31	3,572,285	1,954,373

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

Jahangir Siddiqui	Naveed Qazi	Syed Amjad Ali	Basir Shamsie
Chairman	President/Chief Executive	Director	Director

STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2009

	December 31, 2009	December 31, 2008
	------- Rupees in '000 -------	
(Loss) / profit for the year	(594,936)	54,770
Other comprehensive income	-	-
Total comprehensive (loss) / income for the year	(594,936)	54,770

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

Jahangir Siddiqui	Naveed Qazi	Syed Amjad Ali	Basir Shamsie
Chairman	President/Chief Executive	Director	Director

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2009

	Issued, subscribed and paid-up share capital	Statutory reserve	(Accumulated losses) / Unappropriated profit	Total
	------------------- Rupees in '000 -------------------			
Balance as at January 01, 2008	5,106,337	7,086	27,928	5,141,351
Issue of ordinary shares of Rs.10 each against cash	588,507	-	-	588,507
Total comprehensive income for the year ended December 31, 2008	-	-	54,770	54,770
Transfer to statutory reserve	-	10,954	(10,954)	-
Balance as at December 31, 2008	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 year ended December 31, 2009	-	-	(594,936)	(594,936)
Balance as at December 31, 2009	6,127,605	18,040	(523,192)	5,622,453

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

Jahangir Siddiqui	Naveed Qazi	Syed Amjad Ali	Basir Shamsie
Chairman	President/Chief Executive	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 and it operates with 101 (2008: 39) 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").

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.6 billion paid up capital (free of losses) by the end of the financial year 2009. The paid up capital (free of losses) of the Bank as at December 31, 2009 stood at Rs.5.604 billion. However, the Bank has been granted an exemption till June 30, 2010 to meet the minimum capital requirement by the SBP, subject to certain conditions for which the management is currently in discussion with the SBP.

Further, the Board of Directors of the Bank, in order to comply with the enhanced capital requirements, is considering various options including but not limited to issue of right shares, induction of new equity partner, merger with an associated undertaking etc. and strongly believes that the Bank will be able to meet the minimum capital requirement by June 30, 2010.

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. STATEMENT OF COMPLIANCE

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

3.2 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 SECP dated April 28, 2008, the 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 financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

3.3 Accounting standards not yet effective

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

Standard or Interpretation	Effective date (accounting periods beginning on or after)
IFRS 2 – Share-based Payments: Amendments relating to Group Cash-settled Share-based Payment Transactions	January 01, 2010
IFRS 3 – Business Combinations (Revised)	July 01, 2009
IAS - 27 Consolidated and Separate Financial Statements (Amendment)	July 01, 2009
IFRIC 17 – Distributions of Non-cash Assets to owners	July 01, 2009
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010

In addition to the above, amendments to various accounting standards have also been issued by the IASB as a result of its improvement project in April 2009. Such improvements are generally effective for accounting periods beginning on or after 01 January 2010. The Bank expects that such improvements to the standards will not have any material impact on the Bank's financial statements in the period of initial application.

4. BASIS OF MEASUREMENT

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

5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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 to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In the process of applying the Bank's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

(a) classification of investments (note 6.5);
(b) valuation of derivatives (note 6.6.2);
(c) determining the residual values and useful lives of property and equipment (note 6.9);
(d) impairment (note 6.10);
(d) recognition of taxation and deferred tax (note 6.11);
(e) provisions (note 6.12);
(f) accounting for post employment benefits (note 6.13);
(g) goodwill (note 6.17); and
(h) segment reporting (note 6.18)

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6.1 Change in accounting policy and disclosure

The accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of previous financial year except for the following:

- IAS-1 Presentation of Financial Statements (Revised) effective 1 January 2009

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. 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. The Bank has elected to present two statements, an income statement and a statement of comprehensive income, rather than a single statement of comprehensive income combining the two elements.

Further, 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.

6.2 Cash and cash equivalents

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

6.3 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:

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 differential in sale and re-purchase value is accrued over the period of the contract and recorded as an expense.

Purchase under resale obligation

Securities purchased under agreement to resell (reverse repo) are included in lendings to financial institutions or advances as appropriate. The differential between the contracted price and resale price is amortised over the period of the contract and recorded as income.

Other borrowings

These 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.

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 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.

6.5 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 recognized at cost, being the fair value of the consideration given plus, in the case of investments not held for trading, directly attributable acquisition costs.

Held for trading

These are securities, which are either acquired with the intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days. These are carried at fair value, with the related surplus / (deficit) being taken to profit and loss account.

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 amortized cost.

Available-for-sale

These are investments that do not fall under the held for trading or held to maturity categories.

These are initially recognized at cost, being the fair value of the consideration given including the acquisition cost.

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. Unquoted securities are valued at cost less impairment, if any.

Further, in accordance with the requirements of the SBP, surplus / (deficit) on revaluation of the Bank's held-for-trading investments is taken to the profit and loss account. The surplus / deficit on investments classified as available-for-sale is kept in a separate account shown in the balance sheet below equity. The surplus / (deficit) arising on these securities is taken to the profit and loss account when actually realized upon disposal. The unrealized surplus / (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 capitalized and amortized 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.

Profit and loss on sale of investments is included in income currently.

6.6 Financial Instruments

6.6.1 Financial assets and financial liabilities

Financial instruments carried on the balance sheet includes cash and bank balances, lendings to financial institutions, investments, advances, certain receivables, bills payable, borrowings from financial institutions, deposits and other payables. The particular recognition methods adopted for significant financial assets and liabilities are disclosed in the individual policy statements associated with these assets and liabilities.

6.6.2 Derivative financial instruments

Derivative financial instruments are initially recognized 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.

6.7 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 realize the assets and to settle the liabilities simultaneously. Income and expenses arising from such assets and liabilities are accordingly offset.

6.8 Advances

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

6.9 Operating fixed assets and depreciation

Property and equipment – owned

Owned assets are stated at cost less accumulated depreciation and impairment, if any, except capital work in progress, which is stated at cost.

Depreciation is charged to income using the straight-line method so as to write off the depreciable amount of the assets over their estimated useful lives at the rates given in note 12 to the financial statements. A full month's depreciation is charged in the month of addition and no depreciation is charged for the month in which the disposal is made. The assets residual values and useful lives are reviewed, and adjusted, if appropriate, at each balance sheet date.

Normal repairs and maintenance are charged to the profit and loss account as and when incurred.

An item of property and equipment is derecognized 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 recognized in the profit and loss account in the year the asset is derecognized.

Intangible

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

6.10 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 greater of net selling price 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 recognized as an expense immediately.

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. 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. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

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.

6.12 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 recognized 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.

6.13 Staff retirement benefits

Defined contribution plan

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

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, 2009, using the projected unit credit actuarial valuation method. 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.

6.14 Revenue recognition

Mark-up / return / interest income on regular loans and advances and investments is recognised on accrual basis. Mark-up / return / interest income on classified advances is recognised 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 recognized 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 recognized in the financial statements in the periods in which these are approved.

6.16 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.

6.17 Goodwill

Goodwill acquired in a business combination 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.

6.18 Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

6.18.1 Business segments

Corporate finance

Corporate banking includes services provided in connection with mergers and acquisition, underwriting, privatization, securitization, research, debts (government, high yield), equity, syndication, IPO and secondary private placements.

Trading and sales

It includes fixed income, equity, foreign exchanges, commodities, credit, funding, own position securities, lending and repos, brokerage debt and prime brokerage.

Retail banking

It includes retail lending and deposits, banking services, trust and estates, private lending and deposits, banking service, trust and estates investment advice, merchant / commercial / corporate cards and private labels and retail.

Commercial banking

Commercial banking includes project finance, real estate, export finance, trade finance, factoring, leasing, lending, guarantees, bills of exchange and deposits.

6.18.2 Geographical segment

The Bank has 101 (2008:39) 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 Bank in balance sheet.

	Note	December 31, 2009	December 31, 2008
		------- Rupees in '000 -------	
7. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		342,911	245,739
Foreign currencies		113,686	108,961
		456,597	354,700
With State Bank of Pakistan in			
Local currency current account		823,729	662,357
Foreign currency accounts			
- Cash reserve account - non remunerative	7.1	101,090	61,301
- Special cash reserve account - remunerative	7.2	303,270	181,927
- Local US dollar instruments collection and settlement account - remunerative	7.3	79,540	24,942
		1,307,629	930,527
National Prize Bonds		177	20
		1,764,403	1,285,247

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% (2008: 0.90% and 3.60%) 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% (2008: 0.90% and 3.60%) per annum.

	Note	December 31, 2009	December 31, 2008
		------- Rupees in '000 -------	
8. BALANCES WITH OTHER BANKS			
In Pakistan			
On current accounts		265,406	88,334
On deposit accounts	8.1	63	155
		265,469	88,489
Outside Pakistan			
On current accounts		172,394	34,035
On deposit accounts	8.2	1,382,994	549,747
		1,555,388	583,782
		1,820,857	672,271

8.1 These carry mark-up at the rate of 0% (2008: 3.50%) per annum.

8.2 This represents term placements outside Pakistan, carrying interest rate at 0% (2008: 1.48% and 3.44%) per annum.

	Note	December 31, 2009	December 31, 2008
9. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	9.1 & 9.2	1,865,000	525,000
Repurchase agreement lendings (Reverse Repo)	9.3	1,364,839	880,210
Term Deposit	9.4	252,725	-
		3,482,564	1,405,210

9.1 These represent unsecured call money lendings to financial institutions, carrying interest at the rates ranging between 12.25% and 13.96% (2008: 13.50% and 21.00%) per annum, with maturities up to March 2010.

9.2 Included herein is a sum of Rs.340.00 (2008: Rs.325.00) million due from a related party.

9.3 These are short-term lendings to various financial institutions as shown in note 9.6 below.

9.4 This represents short-term deposit placed in foreign currency with a financial institution carrying interest at 2.50% per annum (2008: Nil) maturing in March 2010.

	December 31, 2009	December 31, 2008
	------- Rupees in '000 -------	

9.5 Particulars of lendings

	December 31, 2009	December 31, 2008
In local currency	3,229,839	1,405,210
In foreign currency	252,725	-
	3,482,564	1,405,210

9.6 Securities held as collateral against lendings to financial institutions

	Note	December 31, 2009 Held by bank	Further given as collateral	Total
		----------- Rupees in '000 -----------		
Market Treasury Bills	9.6.1	1,188,973	-	1,188,973
Pakistan Investment Bonds	9.6.2	95,866	-	95,866
Term Finance Certificate	9.6.3	80,000	-	80,000
		1,364,839	-	1,364,839

	Note	December 31, 2008 Held by bank	Further given as collateral	Total
		----------- Rupees in '000 ----------		
Market Treasury Bills	9.6.1	692,700	99,510	792,210
Term Finance Certificate	9.6.3	88,000	-	88,000
		780,700	99,510	880,210

9.6.1 These have been purchased under resale agreements at rates ranging between 11.0% and 12.4% (2008: 14.90%) per annum with maturity upto February 2010. The fair value of the securities amounted to Rs.1,197.770 (2008: Rs.792.545) million as at December 31, 2009.

9.6.2 These have been purchased under resale agreements at rates ranging between 12.25% and 12.30% (2008: Nil) per annum with maturity upto January 2010. The fair value of the securities amounted to Rs.96.593 million (2008: Nil) as at December 31, 2009.

9.6.3 This has been purchased under resale agreement from a related party at a rate of 13.95% (2008: 21.0%) per annum with maturity in January 2010. The fair value of the security amounted to Rs.91.646 (2008: Rs.88.00) million as at December 31, 2009.

10. INVESTMENTS

	December 31, 2009		
	Held by bank	Given as collateral	Total
	----------- Rupees in '000 -----------		
10.1 Investments by type			
Available-for-sale securities			
Market Treasury Bills	2,424,736	2,922,331	5,347,067
Pakistan Investment Bonds	744,828	481,924	1,226,752
Ordinary shares of listed companies	668,558	-	668,558
Preference shares of listed company	95,503	-	95,503
Term Finance Certificates-listed	1,217,718	-	1,217,718
Term Finance Certificates-unlisted	506,540	-	506,540
Sukuk Certificates-unlisted	158,330	-	158,330
Closed end mutual funds	321,511	-	321,511
Open end mutual funds	122,606	-	122,606
US dollar bonds	116,232	-	116,232
	6,376,562	3,404,255	9,780,817
Total investments at cost	6,376,562	3,404,255	9,780,817
Less: Provision for diminution in value of investments	(294,656)	-	(294,656)
Investments (net of provision)	6,081,906	3,404,255	9,486,161
Surplus on revaluation of available for sale securities	48,070	1,324	49,394
Total investments at market value	6,129,976	3,405,579	9,535,555

	December 31, 2008		
	Held by bank	Given as collateral	Total
	----------- Rupees in '000 -----------		
10.1 Investments by type			
Held for trading securities			
Ordinary shares of listed companies	21,186	-	21,186
Close end mutual funds	5	-	5
	21,191	-	21,191
Available for sale securities			
Market Treasury Bills	2,851,240	-	2,851,240
Pakistan Investment Bonds	448,672	-	448,672
Ordinary shares of listed companies	450,030	-	450,030
Preference shares of listed company	95,503	-	95,503
Term Finance Certificates-listed	688,019	-	688,019
Term Finance Certificates-unlisted	485,283	-	485,283
Sukuk Certificates	110,000	-	110,000
Closed end mutual funds	321,511	-	321,511
Open end mutual funds	275,000	-	275,000
Advance in respect of investments	100,000	-	100,000
	5,825,258	-	5,825,258
Total investments at cost	5,846,449	-	5,846,449
Less: Provision for diminution in value of investments	-	-	-
Investments (net of provision)	5,846,449	-	5,846,449
Deficit on revaluation of held for trading securities	(1,307)	-	(1,307)
Deficit on revaluation of available for sale securities	(706,433)	-	(706,433)
Total investments at market value	5,138,709	-	5,138,709

		Note	December 31, 2009	December 31, 2008
			------- Rupees in '000 -------	
10.2	Investments by Segments			
	Federal Government Securities:			
	Market Treasury Bills	10.2.1	5,347,067	2,851,240
	Pakistan Investment Bonds	10.2.2	1,226,752	448,672
	Fully Paid Ordinary Shares			
	Listed companies	10.2.3	668,558	471,216
	Fully Paid Preference Shares			
	Listed company	10.2.4	95,503	95,503
	Term Finance Certificates			
	Term Finance Certificates – listed	10.2.5	1,217,718	688,019
	Term Finance Certificates – unlisted	10.2.6	506,540	485,283
	Sukuk Certificates	10.2.7	158,330	110,000
	Mutual Funds			
	Closed end mutual funds	10.2.8	321,511	321,516
	Open end mutual funds	10.2.9	122,606	275,000
	Advance in respect of investments		-	100,000
	Investment in US Dollar Bond	10.2.10	116,232	-
	Total investments at cost		9,780,817	5,846,449
	Less: Provision for diminution in value of investments	10.3	(294,656)	-
	Investments (net of provisions)		9,486,161	5,846,449
	Deficit on revaluation of held for trading securities		-	(1,307)
	Surplus / (deficit) on revaluation of available for sale securities		49,394	(706,433)
	Total investments at market value		9,535,555	5,138,709

10.2.1 Market treasury bills are for a period of three to twelve months and carry a yield of 11.44% to 13.16% (2008: 9.84% to 13.85%) per annum with maturity up to November 2010. Market treasury bills are eligible for re-discounting with the State Bank of Pakistan.

10.2.2 These represent Pakistan Investment Bonds (PIBs) with interest income receivable semi-annually at the rate ranging between 9.60% and 12.50% (2008: 7.00% and 11.00%) per annum with a maximum remaining term of 14 years (2008: 9 years) .

10.2.3 Details of investment in Ordinary shares - listed

	No. of shares of Rs.10 each 2009	No. of shares of Rs.10 each 2008	Total paid up value	Cost 2009	Cost 2008	Market value 2009	Market value 2008
				---------------- Rupees in '000			----------------
Held for trading (note 10.2.3.1)	-	Various	Various	-	21,186	-	19,880
Available-for-sale securities							
Adamjee Insurance Company Limited	-	70,500	-	-	22,164	-	7,180
Arif Habib Securities Limited	-	125,000	-	-	18,480	-	5,258
Atlas Bank Limited	-	900,000	-	-	14,143	-	2,988
Azgard Nine Limited - a related party	3,120,000	2,600,000	31,200	96,036	96,036	64,865	42,328
Engro Chemical Pakistan Limited	-	150,000	-	-	41,354	-	14,469
ICI Pakistan Limited	1,241,000	-	12,410	214,456	-	209,096	-
Lucky Cement Limited - a related party	787,667	425,000	7,877	65,353	46,887	52,175	13,290
MCB Bank Limited	-	65,000	-	-	22,719	-	8,178
National Bank of Pakistan	-	190,000	-	-	31,401	-	9,561
Nishat Mills Limited	3,000,000	-	30,000	199,788	-	209,700	-
Oil and Gas Development Limited	-	100,000	-	-	13,122	-	4,999
Pak Reinsurance Company Limited	-	200,088	-	-	11,638	-	4,742
Pakistan Oilfields Limited	401,709	81,000	4,017	92,925	23,371	92,702	8,302
Pakistan Petroleum Limited	-	209,000	-	-	46,954	-	21,030
Pakistan State Oil Limited	-	35,000	-	-	16,509	-	5,060
United Bank Limited	-	340,000	-	-	45,252	-	12,549
				668,558	471,216	628,538	179,814

10.2.3.1 These shares / mutual fund units had been given by National Clearing Company of Pakistan Limited (NCCPL) under the CFS MK-II square-up programme as agreed among the Financiers, Karachi Stock Exchange and NCCPL on December 25, 2008.

10.2.4 Details of investment in preference shares - listed

	No. of shares 2009	No. of shares 2008	Total paid up value	Cost 2009	Cost 2008	Market value 2009	Market value 2008
Chenab Limited - 9.25% per annum Cumulative preference shares (note 10.2.4.1)	13,357,000	13,357,000	133,570	95,503	95,503	93,499	109,127
				95,503	95,503	93,499	109,127

10.2.4.1 The Bank has an option to get the shares redeemed, in part, on yearly basis after four years from the date of issuance of cumulative preference shares i.e. August 2008. The investee company also has option to redeem, in part, cumulative preference shares after August 2008.

10.2.5 Details of investment in Term Finance Certificates - listed

	No. of certificates 2009	No. of certificates 2008	Rating	Cost 2009	Cost 2008	Market value 2009	Market value 2008
				------------- Rupees in '000	-------------		
Askari Bank Limited -1st Issue	2,700	2,700	AA-	13,476	13,481	13,009	13,588
Askari Bank Limited -3rd Issue	21,736	-	AA-	108,680	-	105,808	-
Bank Alfalah Limited	20,000	20,000	AA-	99,808	99,846	97,594	96,761
Standard Chartered Bank Pakistan Limited -2nd Issue	135	-	AA	455	-	462	-
Engro Chemical Pakistan Limited -1st Issue	31,750	55,650	AA	158,623	278,139	147,519	267,792
Engro Chemical Pakistan Limited -3rd Issue	49,785	-	AA	248,925	-	248,925	-
Faysal Bank Limited	3,341	3,341	AA-	16,692	16,698	15,954	16,979
NIB Bank Limited	24,998	7,998	A+	114,155	39,982	114,644	36,863
Pak Arab Fertilizer Limited - 2nd Issue	37,550	32,550	AA	186,434	163,046	176,187	155,269
Pakistan Mobile Communication Limited	27,700	-	AA-	128,336	-	138,703	-
Allied Bank Limited - 2nd Issue	9,000	-	AA-	45,000	-	40,275	-
Orix Leasing Pakistan Limited	2,000	-	AA+	7,869	-	8,362	-
United Bank Limited - 2nd Issue unsecured *	20,006	17,078	AA	89,265	76,827	86,099	68,246
				1,217,718	688,019	1,193,541	655,498

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

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

Name of the Company	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 2.50% (for 1st five years)	November 18, 2019
Bank Alfalah Limited	Semi-annually	6 months KIBOR ask rate plus 1.50%	November 23, 2012
Standard Chartered Bank Pakistan Limited - 2nd Issue	Semi-annually	5 year PIB cut off yield plus 0.75% (Floor 5%-Cap 10.75%)	January 20, 2011
Engro Chemical Pakistan Limited 1st Issue	Semi-annually	6 Months KIBOR ask rate plus 1.55%	November 30, 2015
Engro Chemical Pakistan 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
Allied Bank Limited 2nd Issue	Semi-annually	6 months KIBOR ask rate plus 0.85% (for 5 Years)	August 28, 2019
Orix Leasing Pakistan Limited	Semi-annually	6 months KIBOR ask rate plus 1.50%	May 25, 2012
United Bank Limited 2nd Issue	Semi-annually	9.49%	March 15, 2013

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

Name of the Company	No. of certificates 2009	No. of certificates 2008	Rating	Face value per certificate Rupees	Cost 2009	Cost 2008
					Rupees in '000	
Escorts Investment Bank Limited	-	10	A+	5,000,000	-	16,653
First Dawood Investment Bank Limited *	10,000	10,000	N/A		50,000	50,000
Orix Leasing Pakistan Limited	1,500	1,000	AA	100,000	144,250	100,000
Trakker (Private) Limited	250	250	A	100,000	12,500	18,750
Related parties						
Azgard Nine Limited	30,000	30,000	AA-	5,000	149,910	149,940
Pak American Fertilizer Limited	30,000	30,000	AA-	5,000	149,880	149,940
					506,540	485,283

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

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

Name of the Company	Repayment frequency	Profit Rate per annum	Maturity Date
First Dawood Investment Bank Limited (Chief Executive: Mr. Rafique Dawood)	Semi-annually	6 months KIBOR ask rate plus 1.60 %.	September 11, 2012
Orix Leasing Pakistan Limited (Chief Executive: Mr. Humayun Murad)	Semi-annually	6 months KIBOR ask rate plus 1.20%.	January 15, 2013
TPL Trakker Limited (Chief Executive: Mr. Ali Jameel)	Semi-annually	6 months KIBOR ask rate plus 3.50%.	September 15, 2011
Related Parties			
Azgard Nine Limited (Chief Executive: Mr. Ahmed H. Shaikh)	Semi-annually	6 Months KIBOR ask rate plus 2.25%.	December 04, 2014
Pak American Fertilizer 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 Company	No. of certificates 2009	No. of certificates 2008	Rating	Face value per certificate Rupees	Cost 2009	Cost 2008
					Rupees in '000	
Karachi Shipyard and Engineering Works Limited	3,000	3,000	N/A	5,000	15,000	15,000
Sitara Chemical Industries Limited	19,000	19,000	AA-	5,000	95,000	95,000
Sui Southern Gas Co. Limited	10,200	-	AA	5,000	48,330	-
					158,330	110,000

10.2.7.1 Other particulars of sukuk certification are as fallows:

Name of the Company	Profit: Repayment frequency	Profit: Rate per annum	Maturity Date
Karachi Shipyard and Engineering Works Limited	Semi-annually	6 months KIBOR ask rate + 0.4%	November 02, 2015
Sitara Chemical Industries Limited	Quarterly	3 months KIBOR ask rate + 1.0%	January 02, 2013
Sui Southern Gas Co. Limited	Quarterly	3 months KIBOR ask rate + 0.20%	December 31, 2012

10.2.8 Closed End Mutual Funds

Fund	No. of certificates		Rating	Face value per certificate	Cost	Cost	Market value	Market value
	2009	2008		(Rupees)	2009	2008	2009	2008
					------------ Rupees in '000 ------------			
Held for trading (note 10.2.3.1)								
Pakistan Premier Fund	-	198	4-Star	10	-	1	-	1
PICIC Growth Fund	-	552	2-Star	10	-	4	-	3
Available-for-sale								
First Dawood Mutual Fund	3,519,809	3,519,809	4-Star	10	28,164	28,164	5,948	7,603
JS Value Fund - a related party	8,745,668	8,745,668	5-Star	10	99,701	99,701	49,151	39,268
JS Large Capital Fund - a related party	24,205,790	24,205,790	4-Star	10	193,646	193,646	111,347	55,673
					321,511	321,516	166,446	102,548

10.2.9 Open End Mutual Funds

Fund	No. of units		Rating	Net asset value per unit	Cost	Cost	Market value	Market value
	2009	2008		(Rupees)	2009	2008	2009	2008
					------------ Rupees in '000 ------------			
Crosby Dragon Fund	746,154	1,521,444	3-Star	107.92	122,606	250,000	80,525	102,454
KASB Stock Market Fund	-	420,663	N/A	22.46	-	25,000	-	9,448
					122,606	275,000	80,525	111,902

10.2.10 US dollar bonds

These are for a period of five years and carry a yield ranging between 2.95% and 4.31% per annum (2008: Nil) with maturity up to October 2012.

10.3 Particulars of provision for diminution in value of investments

	December 31, 2009	December 31, 2008
	------- Rupees in '000 -------	
Opening balance	-	754
Charge for the year	424,765	-
Reversed during the year	(130,109)	(754)
Closing balance	294,656	-

	Note	December 31, 2009	December 31, 2008
		------- Rupees in '000 -------	
10.3.1 Particulars of provision for diminution in value of investments by type and segment			
Available for sale			
Ordinary shares of listed companies		44,349	-
Preference shares of listed company		53,161	-
Closed end mutual funds		155,065	-
Open end mutual funds		42,081	-
		294,656	-

11. ADVANCES

	Note	December 31, 2009	December 31, 2008
Loans, cash credit, running finances, etc. - in Pakistan		11,100,389	9,558,599
Bills discounted and purchased (excluding treasury bills)			
payable in Pakistan		1,060,996	56,786
payable outside Pakistan		5,835	143,375
		1,066,831	200,161
Financing in respect of continuous funding system	11.2	-	51,333
Advances - gross		12,167,220	9,810,093
Provision for non-performing advances - specific	11.4	(473,082)	(122,085)
Provision for non-performing advances - general	11.4	(4,485)	(7,559)
		(477,567)	(129,644)
Advances - net of provision		11,689,653	9,680,449

11.1 Particulars of advances (gross)

	December 31, 2009	December 31, 2008
11.1.1 In local currency	12,161,385	9,541,507
In foreign currency	5,835	268,586
	12,167,220	9,810,093
11.1.2 Short term (for up to one year)	9,985,714	8,267,996
Long term (for over one year)	2,181,506	1,542,097
	12,167,220	9,810,093

11.2 The fair value of the securities held in respect of continuous funding system as on December 31, 2009 is Nil (2008: Rs.22.774 million).

11.3 Advances include Rs.857.059 (2008: Rs.455.504) million which have been placed under non-performing status as detailed below:

Category of Classification	December 31, 2009 Domestic	Overseas	Total	Provision required	Provision held
	----------	----------	Rupees in '000	----------	----------
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
	857,059	-	857,059	473,082	473,082

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

11.4 Particulars of provision against non-performing advances

	December 31, 2009			December 31, 2008		
	Specific	General	Total	Specific	General	Total
	---------	Rupees in '000	---------	---------	Rupees in '000	---------
Opening balance	122,085	7,559	129,644	113,604	4,068	117,672
Charge for the year	364,622	-	364,622	10,409	3,491	13,900
Amounts written off	-	-	-	-	-	-
Reversals	(13,625)	(3,074)	(16,699)	(1,928)	-	(1,928)
	350,997	(3,074)	347,923	8,481	3,491	11,972
Closing Balance	473,082	4,485	477,567	122,085	7,559	129,644

	December 31, 2009			December 31, 2008		
	Specific	General	Total	Specific	General	Total
	---------	Rupees in '000	---------	---------	Rupees in '000	---------
In local currency	473,082	4,485	477,567	122,085	7,559	129,644
In foreign currencies	-	-	-	-	-	-
	473,082	4,485	477,567	122,085	7,559	129,644

11.4.1 The SBP, vide BSD Circular No. 10, dated October 20, 2009, has amended Prudential Regulations in respect of provisioning against non-performing advances. The revised regulations allow the benefit of 40 percent of Forced Sale Value (FSV) of pledged stocks and mortgaged commercial, residential and industrial property held as collateral by the Bank in determining the amount of provision against non-performing advances. Previously, the Banks were only allowed to take the benefit of 30 percent of FSV of pledged stocks and mortgaged commercial and residential properties. Accordingly, the above change in regulation has resulted in reduced provisioning by Rs.23.026 million against non-performing advances and a consequent decrease in loss after taxation by Rs.23.026 million.

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 Details of loan write off of Rs.500,000 and above

There have been no loan write offs or any other financial relief allowed to a person during the year ended December 31, 2009 of Rs.500,000 or above that require disclosure in terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962.

		Note	December 31, 2009	December 31, 2008
			------- Rupees in '000 -------	
11.6	Particulars of loans and advances to directors, associated companies, subsidiaries, etc.			
	Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons:			
	Balance at the beginning of the year		180,193	77,112
	Loans granted during the year		112,566	115,098
	Repayments		(72,777)	(12,017)
	Balance at the end of the year		219,982	180,193
12.	OPERATING FIXED ASSETS			
	Capital work-in-progress	12.1	41,976	11,442
	Property and equipment	12.2	1,385,635	864,261
	Intangible assets	12.3	1,611,718	1,621,180
			3,039,329	2,496,883
12.1	Capital work-in-progress			
	Property and equipment			
	Civil works		17,492	2,855
	Advance for purchase of vehicles		-	2,594
	Advance for purchase of equipment		22,057	5,993
	Intangible			
	Computer software		2,427	-
			41,976	11,442

12.2 Property and equipment

	COST				ACCUMULATED DEPRECIATION					
	As at January 1, 2009	Additions during the year	Disposals during the year	As at December 31, 2009	As at January 1, 2009	On disposals	For the year	As at December 31, 2009	Book value as at December 31, 2009	Rate %
	Rupees in '000									
Building on free hold land	-	55,478	-	55,478	-	-	225	225	55,253	1.01
Building on lease hold land	246,680	84,520	-	331,200	7,196	-	6,390	13,586	317,614	1.02-4.78
Lease hold improvements	249,199	197,390	(2,477)	444,112	29,070	(2,109)	32,014	58,975	385,137	10
Furniture and fixture	71,517	51,385	(2,668)	120,234	17,428	(2,666)	10,210	24,972	95,262	10-20
Electrical, office and computer equipments	354,844	277,599	(11,328)	621,115	108,892	(11,174)	95,892	193,610	427,505	12.5-33.3
Vehicles	137,169	32,191	(2,969)	166,391	32,562	(1,456)	30,421	61,527	104,864	20
	1,059,409	698,563	(19,442)	1,738,530	195,148	(17,405)	175,152	352,895	1,385,635	

	COST				ACCUMULATED DEPRECIATION					
	As at January 1, 2008	Additions during the year	Disposals during the year	As at December 31, 2008	As at January 1, 2008	On disposals	For the year	As at December 31, 2008	Book value as at December 31, 2008	Rate %
	Rupees in '000									
Building on lease hold land	100,138	146,542	-	246,680	2,657	-	4,539	7,196	239,484	1.32-4.78
Lease hold improvements	83,253	170,016	(4,070)	249,199	20,649	(3,342)	11,763	29,070	220,129	10
Furniture and fixture	31,040	41,699	(1,222)	71,517	14,376	(1,162)	4,214	17,428	54,089	10-20
Electrical, office and computer equipments	135,338	227,304	(7,798)	354,844	78,115	(7,539)	38,316	108,892	245,952	12.5-33.3
Vehicles	75,161	64,450	(2,442)	137,169	13,954	(1,175)	19,783	32,562	104,607	20
	424,930	650,011	(15,532)	1,059,409	129,751	(13,218)	78,615	195,148	864,261	

12.2.1 Included in cost of property and equipment are fully depreciated items still in use having cost of Rs.68.264 (2008: Rs.70.525) 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 proceeds	Profit / (loss)	Mode of disposal	Buyer's particulars
	Rupees in '000						
Motor Vehicles							
Suzuki Cultus	620	279	341	620	279	Insurance claim	EFU General Insurance - a related party Central Division, 1st Floor, Kashif Centre, Shahra-e-Faisal, Karachi
Suzuki Cultus	651	195	456	651	195	Insurance claim	EFU General Insurance - a related party Central Division, 1st Floor, Kashif Centre, Shahra-e-Faisal, Karachi
Toyota Corolla	1,025	308	717	999	282	Insurance claim	EFU General Insurance - a related party Central Division, 1st Floor, Kashif Centre, Shahra-e-Faisal, Karachi
Lease hold improvement							
Renovation work	1,820	1,562	258	25	(233)	Sale	Trimmu Engineers H#27, ST#12, Behare-e-Shah Colony Upper Mall Lahore

12.3 Intangible assets

	Note	COST As at January 01, 2009	COST Additions / disposals	COST As at December 31, 2009	ACCUMULATED AMORTIZATION / IMPAIRMENT As at January 01, 2009	ACCUMULATED AMORTIZATION / IMPAIRMENT On disposals	ACCUMULATED AMORTIZATION / IMPAIRMENT For the year	ACCUMULATED AMORTIZATION / IMPAIRMENT As at December 31, 2009	Book Value As at December 31, 2009	Rate %
		Rupees in '000								
Stock exchange card	12.3.1	21,000	-	21,000	-	-	-	-	21,000	
Non-compete fee	12.3.2	126,683	-	126,683	84,562	-	42,121	126,683	-	33.33
Computer software	12.3.3	100,939	45,748	146,687	6,504	-	13,089	19,593	127,094	10
Goodwill	12.3.4	1,463,624	-	1,463,624	-	-	-	-	1,463,624	-
		1,712,246	45,748	1,757,994	91,066	-	55,210	146,276	1,611,718	

	Note	COST As at January 01, 2008	COST Additions / disposals	COST As at December 31, 2008	ACCUMULATED AMORTIZATION / IMPAIRMENT As at January 01, 2008	ACCUMULATED AMORTIZATION / IMPAIRMENT On disposals	ACCUMULATED AMORTIZATION / IMPAIRMENT For the year	ACCUMULATED AMORTIZATION / IMPAIRMENT As at December 31, 2008	Book Value As at December 31, 2008	Rate %
		Rupees in '000								
Stock exchange card	12.3.1	21,000	-	21,000	-	-	-	-	21,000	
Non-compete fee	12.3.2	126,683	-	126,683	42,339	-	42,223	84,562	42,121	33.33
Computer software	12.3.3	800	100,139	100,939	27	-	6,477	6,504	94,435	10
Goodwill	12.3.4	1,463,624	-	1,463,624	-	-	-	-	1,463,624	-
		1,612,107	100,139	1,712,246	42,366	-	48,700	91,066	1,621,180	

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 This represents the non-compete fee, of Rs.150 million which was adjusted by Rs.23.317 million vide the stipulations stated in the agreement dated November 10, 2005 between the parties, paid to American Express Bank Limited, New York for a period of three years.

12.3.3 This represents banking software and license acquired during the year.

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

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 plans approved by the senior management 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.

	2009	2008
Discount rate - discrete period	23.6%	24.4%
Terminal growth rate	10.0%	10.0%

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

Management believes that reasonable possible changes in other assumptions used to determine the recoverable amounts will not result in an impairment of goodwill.

	Note	December 31, 2009	December 31, 2008
		------- Rupees in '000 -------	
13. DEFERRED TAX ASSETS			
Deferred tax debits arising from:			
Unused tax losses	13.1	1,078,906	300,887
Provision against investments and loans		182,317	5,549
Deferred cost		943	1,414
Gratuity		-	2,513
Deficit on revaluation of assets		-	197,642
Deferred tax credits arising due to:			
Fixed assets		(166,150)	(133,765)
Goodwill		(153,821)	(102,594)
Surplus on revaluation of assets		(17,288)	-
		924,907	271,646

13.1 Included herein is a sum of Rs.5.989 (2008: Rs.25.125) million and Rs.458.546 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 57 A 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 realize these tax losses in the future.

	December 31, 2009	December 31, 2008
	------- Rupees in '000 -------	

14. OTHER ASSETS

Income / mark-up accrued in local currency	425,227	349,156
Income / mark-up accrued in foreign currency	1,403	2,963
Advances, deposits, advance rent and other prepayments	113,333	129,037
Taxation (payments less provision)	80,420	91,503
Receivable against sale of marketable securities	-	65,797
Receivable against bancaassurance	5,238	-
Stationery and stamps on hand	533	1,089
Prepaid exchange risk fee	448	504
Trustee fee receivable from a related party	152	202
Unrealised gain on forward foreign exchange contracts	2,227	20,482
Others	8,671	16,654
	637,652	677,387

15. BILLS PAYABLE

In Pakistan	312,529	119,875
Outside Pakistan	7,963	8,047
	320,492	127,922

16. BORROWINGS

In Pakistan	5,026,660	534,510
Outside Pakistan	12,975	3,145
	5,039,635	537,655

16.1 Particulars of borrowings with respect to Currencies

In local currency	5,026,660	534,510
In foreign currencies	12,975	3,145
	5,039,635	537,655

		Note	December 31, 2009	December 31, 2008
			------- Rupees in '000 -------	
16.2	Details of borrowings from financial institutions			
	Secured			
	Borrowing from SBP under export refinancing scheme	16.2.1	792,249	50,000
	Repurchase agreement borrowings	16.2.2	3,394,411	99,510
			4,186,660	149,510
	Unsecured			
	Call borrowings	16.2.3	840,000	385,000
	Overdrawn nostro accounts	16.2.4	12,975	3,145
			852,975	388,145
			5,039,635	537,655

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 rate of 6.5% per annum.

16.2.2 This represents collateralized borrowing from various commercial banks, against market treasury bills and Pakistan Investment Bonds, carrying mark-up at the rate ranging between 11.92% and 12.40% (2008: 14.90%) per annum and would mature in January 2010 (2008: January 2009).

16.2.3 These represent call money borrowings from financial institutions, carrying interest at the rates ranging between 11.90% and 12.70% (2008: 12.75% and 15.65%) per annum, with maturities up to April 2010.

16.2.4 This represents borrowings of Rs.12.975 (2008: Rs.3.145) million from Commercial Banks, outside Pakistan.

17.	DEPOSITS AND OTHER ACCOUNTS	December 31, 2009	December 31, 2008
		------- Rupees in '000 -------	
	Customers		
	Fixed deposits	9,173,400	5,747,372
	Savings deposits	5,645,387	2,632,729
	Current accounts - non-remunerative	4,832,167	2,640,939
	Margin account	48,505	14,351
		19,699,459	11,035,391
	Financial Institutions		
	Remunerative deposits	1,532,365	4,208,938
	Non-remunerative deposits	81,967	49,944
		1,614,332	4,258,882
		21,313,791	15,294,273

17.1 Particulars of deposits

	Note	December 31, 2009	December 31, 2008
		------- Rupees in '000 -------	
In local currency		19,450,027	14,053,862
In foreign currencies		1,863,764	1,240,411
		21,313,791	15,294,273

18. OTHER LIABILITIES

	Note	December 31, 2009	December 31, 2008
		------- Rupees in '000 -------	
Mark-up / return / interest payable in local currency		229,996	188,372
Mark-up / return / interest payable in foreign currency		2,216	2,231
Accrued expenses	18.1	129,077	87,692
Payable in respect of defined benefit plan	33	36,288	17,065
Payable against capital expenditure		59,957	45,229
Customer insurance		12,293	17,908
Payable against purchase of marketable securities		46,286	-
Unclaimed dividends		4,277	4,302
Government duties		8,240	2,984
Branch adjustment account		-	-
Others		37,813	26,332
		566,443	392,115

18.1 Included herein is a sum of Rs.0.102 million (2008: Rs.0.242) million payable to related parties.

19. SHARE CAPITAL

19.1 Authorized Capital

December 31, 2009	December 31, 2008		Note	December 31, 2009	December 31, 2008
				----- 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

December 31, 2009	December 31, 2008		Note	December 31, 2009	December 31, 2008
336,348,000	293,071,893	Issued for cash	19.2.1	3,363,480	2,930,719
276,412,500	276,412,500	Issued for consideration other than cash		2,764,125	2,764,125
612,760,500	569,484,393		19.2.2 & 19.2.3	6,127,605	5,694,844

19.2.1 During the previous year, the Board of Directors of the Bank in its meeting held on September 29, 2008 approved issuance of 20% right shares at par value i.e. Rs.1,021.267 million (102,126,750 shares). Upto last date of payment for right shares i.e. December 05, 2008 total subscription received amounted to Rs.588.506 million in respect of 58,850,643 shares and, 43,276,107 shares remained unsubscribed. The Board in its meeting held on December 19, 2008 approved the allotment of 58,850,643 right shares to the shareholders who had made payments on or before the last date.

Further, exercising its powers vested under section 86(7) of the Companies Ordinance, 1984 the Board in respect of 43,276,107 un-subscribed right shares authorised the Chairman and the President of the Bank to allot these shares to any suitable investor(s) on or before January 31, 2009.

In consequence of the decision of the Board, during the current year the unsubscribed shares were offered to Jahangir Siddiqui & Company Limited (JSCL) (the holding company), and JSCL subscribed 43,276,107 unsubscribed right shares on February 14, 2009.

19.2.2 JSCL held 395,162,551 (2008: 351,886,444) Ordinary shares of Rs.10 each as at December 31, 2009 representing 64.49% (2008: 61.79%) holding.

19.2.3 Also refer note 1.3.

	December 31, 2009	December 31, 2008
	------- Rupees in '000 -------	
20. SURPLUS ON REVALUATION OF ASSETS - net of tax		
Surplus / (deficit) arising on revaluation of available-for-sale securities:		
Term Finance Certificates - listed	(24,177)	(32,521)
Ordinary shares - listed	4,329	(290,096)
Preference shares - listed	51,157	13,624
Closed end mutual funds	-	(218,967)
Open end mutual funds	-	(163,098)
US dollar bonds	(675)	-
Government Securities	18,760	(15,375)
	49,394	(706,433)
Less: Related deferred tax asset / (liability)	(17,288)	197,642
	32,106	(508,791)
21. CONTINGENCIES AND COMMITMENTS		
21.1 Transaction-related Contingent Liabilities		
Includes performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees and standby letters of credit related to particular transactions.		
i) Government	321,368	68,143
ii) Banking companies and other financial institutions	19,660	3,229
iii) Others	626,217	423,175
	967,245	494,547

		December 31, 2009	December 31, 2008
		------- Rupees in '000 -------	
21.2	Trade-related Contingent Liabilities		
	Documentary credits	1,772,874	766,016
21.3	Other Contingencies		
	Claims not acknowledged as debts	66,435	97,655
21.4	Commitments in respect of forward exchange contracts		
	Purchase	3,018,450	2,313,977
	Sale	4,285,469	2,139,944

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	Other Commitments		
	Forward commitments in respect of sale of PIBs	160,836	-
	Forward commitments in respect of purchase of PIBs	27,514	-
	Underwriting commitments in respect of purchase of shares of a related party	-	197,746
	Commitment in respect of capital expenditure	101,610	102,798

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 maximize 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 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.

		December 31, 2009	December 31, 2008
		------- Rupees in '000 -------	
23.	MARK-UP / RETURN / INTEREST EARNED		
	On loans and advances to:		
	Customers	1,422,136	1,142,992
	Financial Institutions	126,247	195,642
	On investments in:		
	Available-for-sale securities	889,959	532,835
	Held-for-trading securities	7,967	-
	On deposits with financial institutions	91	15,654
	On securities purchased under resale agreements	80,895	88,080
		2,527,295	1,975,203
24.	MARK-UP / RETURN / INTEREST EXPENSED		
	Deposits	1,420,481	1,160,590
	Securities sold under repurchase agreements	227,632	86,905
	Borrowings	158,596	114,243
		1,806,709	1,361,738
25.	FEE, COMMISSION AND BROKERAGE INCOME		
	Advisory fee	14,289	31,865
	Trustee fee	5,572	8,863
	Other fees, commission and charges	112,337	62,720
		132,198	103,448
26.	GAIN ON SALE OF SECURITIES - net		
	Federal Government Securities		
	Treasury Bills	19,345	(373)
	Pakistan Investment Bonds	92,822	15,060
	Ordinary shares - listed	(17,260)	99,155
	Term Finance Certificates	12,348	39,022
	Mutual Fund Units / Certificates	(17,246)	59,941
		90,009	212,805

	Note	December 31, 2009	December 31, 2008
		------- Rupees in '000 -------	

27. ADMINISTRATIVE EXPENSES

	Note	2009	2008
Salaries, wages, allowances, etc.		592,601	383,618
Charge for defined benefit plan		19,223	9,826
Contribution to defined contribution plan		25,470	16,778
Non-executive directors' fee, allowances and other expenses		375	160
Contractor wages		71,274	56,260
Brokerage, fee and commission		18,190	14,072
Rent, taxes, insurance, electricity, etc.		279,212	135,508
Legal and professional charges		18,020	7,327
Communication		93,643	31,441
Repairs and maintenance		123,903	71,217
Travel and other related expenses		12,945	12,006
Stationery and printing		41,516	27,303
Advertisement and publicity		63,853	23,258
Postage and courier service		8,622	5,989
Stamp duty		9,732	10,758
CDC and other charges		2,523	3,975
Bank charges and clearing house charges		11,357	4,922
Consultancy fee		22,814	1,687
Security services		37,476	9,623
Fees and subscription		12,566	13,035
Auditors' remuneration	27.1	8,303	4,329
Depreciation	12.2	175,152	78,615
Amortization of intangible assets	12.3	55,210	48,700
Staff training		7,683	5,318
Others		23,152	6,899
		1,734,815	982,624

27.1 Auditors' Remuneration

		2009	2008
Audit fee		1,000	800
Half-yearly review		400	300
Special certification and miscellaneous services		6,737	3,168
Out of pocket expenses		166	61
		8,303	4,329

28. OTHER CHARGES

		2009	2008
Penalties imposed by State Bank of Pakistan		1,346	743

29. TAXATION

The numerical reconciliation between the average tax rate and the applicable tax rate has not been presented in these financial statements due to tax loss during the year.

Under Section 114 of the Income Tax Ordinance, 2001 (Ordinance), the Bank has filed the returns of income for the tax years 2006, 2007 and 2008 on due date. 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.

		December 31, 2009	December 31, 2008
		------- Rupees in '000 -------	

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

		December 31, 2009	December 31, 2008
(Loss) / Profit for the year after taxation		(594,936)	54,770
Weighted average number of Ordinary shares outstanding during the year	(Number)	604,454,398	519,662,890
(Loss) / Earnings per share - basic and diluted	(Rupee)	(0.98)	0.11

There is no dilution effect on basic earnings per share.

31. CASH AND CASH EQUIVALENTS

	December 31, 2009	December 31, 2008
Cash and balances with treasury banks	1,764,403	1,285,247
Balances with other banks	1,820,857	672,271
Overdrawn nostro account	(12,975)	(3,145)
	3,572,285	1,954,373

32. STAFF STRENGTH

	----------- Number -----------	
Permanent	820	610
Temporary / on contractual basis	8	-
Bank own staff strength at the end of the year	828	610
Outsourced	372	217
	1,200	827

33. DEFINED BENEFIT PLAN

33.1 General description

The Bank operates a 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 820 (2008: 610).

33.3 Principal actuarial assumptions

The actuarial valuations were carried out on December 31, 2009 based on the Projected Unit Credit Method, using the following significant assumptions:

	December 31, 2009	December 31, 2008	Source of estimation
Discount rate	14%	15%	Yield on government bonds
Expected rate of salary increase	14%	15%	Linked to seniority, promotion, future salary increase and supply and demand in employment market

	December 31, 2009	December 31, 2008
	------- Rupees in '000 -------	
33.4 Reconciliation of payable to defined benefit plan		
Present value of defined benefit obligation	36,247	19,242
Fair value of any plan assets	-	-
Net actuarial losses not recognized	1,012	(720)
Unrecognised transitional liability	(971)	(1,457)
	36,288	17,065
33.5 Movement in payable to defined benefit plan		
Opening net liability	17,065	7,239
Expense for the year	19,223	9,826
Benefits paid to employees	-	-
Closing net liability	36,288	17,065
33.6 Charge for defined benefit plan		
Current service cost	15,851	8,364
Interest cost	2,886	976
Transitional liability recognised	486	486
	19,223	9,826

33.7 Three year data on plans and experience adjustments

	December 31, 2009	December 31, 2008	December 31, 2007
Present value of defined benefit obligation	36,247	19,242	9,694
Experience adjustment on obligation - gain / (loss)	1,732	(141)	(572)

33.8 The Bank amortizes 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 820 (2008: 352). During the year, employees made a contribution of Rs.25.470 (2008: Rs.16.778) 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:

	2009			
	President	Directors	Executives	Total
	------------------ Rupees in 000' ------------------			
Managerial remuneration	9,290	6,194	159,151	174,635
Defined contribution plan	929	619	13,577	15,125
Charge for defined benefit plan	774	516	13,257	14,547
Rent and house maintenance	4,181	2,787	71,618	78,586
Utilities	929	619	15,915	17,463
Medical	21	21	2,607	2,649
Conveyance and vehicle maintenance	680	330	20,234	21,244
Bonus	-	5,000	27,000	32,000
	16,804	16,086	323,359	356,249
Number of persons	1	1	142	144

	2008			
	President	Directors	Executives	Total
	------------------ Rupees in 000' ------------------			
Managerial remuneration	9,290	5,953	96,713	111,956
Defined contribution plan	929	595	7,835	9,359
Charge for defined benefit plan	774	496	8,056	9,326
Rent and house maintenance	4,181	2,679	43,521	50,381
Utilities	929	595	9,672	11,196
Medical	21	8	1,352	1,381
Conveyance and vehicle maintenance	694	301	13,830	14,825
Bonus	10,000	7,000	27,000	44,000
	26,818	17,627	207,979	252,424
Number of persons	1	1	86	88

35.1 The President, Directors 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 6.8 to these financial statements.

The repricing profile, effective rates and maturity are stated in note 41 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:-

December 31, 2009	Corporate finance	Trading & sales	Retail banking	Commercial banking	Payment & settlement	Others	Total
	---------- Rupees in '000 ----------						
Total income	17,566	1,334,932	152,748	1,341,649	19,871	-	2,866,766
Total expenses	10,493	1,552,045	1,056,299	1,598,267	13,880	84,574	4,315,558
Tax expense	-	-	-	-	-	-	(14,334)
Deferred tax	-	-	-	-	-	-	868,191
Net income / (loss)	7,073	(217,113)	(903,551)	(256,618)	5,991	(84,574)	(594,935)
Segment assets (gross)	-	16,671,560	513,891	11,790,818	-	4,396,218	33,372,487
Segment non performing loans	-	-	37,374	819,685	-	-	857,059
Segment provision required	-	-	22,320	455,247	-	-	477,567
Segment liabilities	-	4,259,267	18,289,913	4,000,078	320,492	370,611	27,240,361
Segment return on net assets (ROA) (%)	-	12.24	14.47	12.84	-	-	-
Segment cost of funds (%)	-	11.96	7.53	8.78	-	-	-

December 31, 2008	Corporate finance	Trading & sales	Retail banking	Commercial banking	Payment & settlement	Others	Total
	---------- Rupees in '000 ----------						
Total income	31,890	1,242,704	146,019	1,033,296	13,639	-	2,467,548
Total expenses	12,925	758,659	486,613	1,026,088	8,897	63,141	2,356,323
Tax expense	-	-	-	-	-	-	-
Deferred tax	-	-	-	-	-	-	(56,455)
Net income / (loss)	18,965	484,045	(340,594)	7,208	4,742	(63,141)	54,770
Segment assets (gross)	-	8,501,437	1,074,351	8,492,967	-	3,688,691	21,757,446
Segment non performing loans	-	-	-	473,082	-	-	473,082
Segment provision required	-	-	-	129,644	-	-	129,644
Segment liabilities	-	487,655	10,622,632	4,721,641	127,922	392,115	16,351,965
Segment return on net assets (ROA) (%)	-	13.12	15.25	16.46	-	-	-
Segment cost of funds (%)	-	11.20	7.28	13.63	-	-	-

38. TRUST ACTIVITIES

The Bank acted as a Trustee of the Crosby Dragon Fund (the Fund) during the current year, however, as at December 31, 2009 the Bank was not a Trustee of the Fund. The Bank also acts as a custodian of some of the Term Finance Certificates it arranges and distributes on behalf of its customers.

39. RELATED PARTY TRANSACTIONS

Related parties comprise of 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 details of transactions with related parties during the year are as follows:

	December 31, 2009		December 31, 2008	
	Key management personnel	Related parties	Key management personnel	Related parties
	------- Rupees in '000 -------		------- Rupees in '000 -------	
Advances				
Opening balance	39,346	941,246	6,493	339,398
Disbursements	3,386	23,631,418	33,900	179,989,217
Repayments	(6,023)	(23,121,477)	(1,047)	(179,387,369)
Balance as at December 31	36,709	1,451,187	39,346	941,246
Mark-up / return / interest earned	3,576	178,299	683	74,409

	December 31, 2009		December 31, 2008	
	Key management personnel	Related parties	Key management personnel	Related parties
	------- Rupees in '000 -------		------- Rupees in '000 -------	
Deposits				
Opening balance	37,959	4,246,435	76,426	2,945,537
Deposits during the year	259,624	299,291,572	377,304	414,131,929
Withdrawals during the year	(273,408)	(302,389,562)	(415,771)	(412,831,031)
Balance as at December 31	24,175	1,148,445	37,959	4,246,435
Mark-up / return / interest expensed	1,320	221,522	2,007	425,245

The related party status of outstanding receivables and payable as at December 31, 2009 is included in respective notes to the financial statements. Material transactions with related parties are given below:

Relationship with the Bank	Nature of transactions	December 31, 2009	December 31, 2008
		------- Rupees in '000 -------	
Companies having common directorship			
	Purchase of TFC	-	83,367
	Sale of TFC	291,075	1,362,552
	Sale of Government Securities	3,146,230	1,630,435
	Purchase of sukkuk	48,718	-
	Sale of sukkuk	48,718	-
	Purchase of shares	-	20
	Sale of shares	19	-
	Insurance claim received	3,078	1,798
	Commission earned	23,010	-
	Payment of insurance premium	16,204	14,636
Parent company			
	Subscription in right shares	432,761	586,477
	Purchase of shares	-	83
	Advisory fee for TFC	-	-
	Sale of shares	54	-
	Reimbusement of expenses	61	-
Companies in which parent company holds 20% or more			
	Purchase of TFC	291,489	268,464
	Sale of TFC	246,800	23,849
	Purchase of government securities	3,015,633	32,573
	Sale of government securities	5,470,426	146,139
	Purchase of computer	-	348
	Sale of shares	4,162	133,073
	Purchase of shares	-	112
	Rent expense paid / accrued	3,971	1,409
	Call lendings / Reverse Repo	8,944,000	5,831,000
	Commission paid / accrued	3,633	4,616
	Commission income	6,049	38
	Dividend income	8,746	64,564
	Advisory fee for TFC	-	3,000
	Reimbusement of expenses	2,525	-
	Purchase of forward foreign exchange contracts	15,018,998	-
	Sale of forward foreign exchange contracts	13,184,539	-

Relationship with the Bank	Nature of transactions	December 31, 2009	December 31, 2008
		------- Rupees in '000 -------	
Other related parties			
	Trustee fee	2,479	5,712
	Purchase of shares	97,763	7
	Sale of shares	66,320	10
	Call lending	-	1,010,000
	Purchase of government securities	4,908	-
	Sale of government securities	9,834	-
	Purchase of forward foreign exchange contracts	-	872,050
	Sale of forward foreign exchange contracts	-	698,730
	Purchase of units	-	596,078
	Sale of units	80,000	368,130
	Dividend income	3,151	-
	Commission earned / unearned	14,611	3,260

40. CAPITAL ASSESSMENT AND ADEQUACY BASEL II SPECIFIC

40.1 Scope of Application

Basel II applies to the Bank's financial statements on a standalone basis. The Bank does not currently have a subsidiary or significant minority interest on which Basel II can be applied to.

40.2 Capital Structure

	December 31, 2009	December 31, 2008
	------- Rupees in '000 -------	
Tier I Capital		
Shareholders equity / assigned capital	6,127,605	5,694,844
Reserves	18,040	18,040
(Accumulated losses) / Unappropriated unremitted profits	(523,192)	71,744
	5,622,453	5,784,628
Less: Goodwill, other intangible assets and deficit on account of revaluation of available for sale portfolio etc.	1,614,145	2,327,613
	1,614,145	2,327,613
Total Tier I Capital	4,008,308	3,457,015
Tier II Capital		
General Provisions subject to 1.25% of Total Risk Weighted Assets	4,485	7,559
Revaluation Reserve (upto 45%)	22,227	-
	26,712	7,559
Total Tier II Capital	26,712	7,559
Eligible Tier III Capital	-	-
Total Regulatory Capital Base	4,035,020	3,464,574

40.3 Capital Adequacy

Capital Management

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

Statutory minimum capital requirement and management of capital

The State Bank of Pakistan (SBP) through its BSD Circular No. 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.6 billion paid up capital (net of losses) by the end of the financial year 2009.

The paid up capital (net of losses) of the Bank as at December 31, 2009 stood at Rs.5.6 billion. The Bank has been granted an extension by the SBP vide its letter No.BSD/BAI-3/608/015/2010 dated January 06, 2010 till June 30, 2010 to meet the minimum capital requirement, as more fully explained 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, 2009 was 23.99% of its risk weighted exposures.

Bank's regulatory capital is analyzed into two tiers

Tier 1 capital, which includes fully paid up capital, general reserves and un-appropriated profit as per the financial statements net of goodwill, other intangible assets and deficit on revaluation of available-for-sale investment portfolio.

Tier 2 capital includes reserves on the revaluation of available-for-sale investments (up to a maximum of 45% of the balance in the related revaluation reserves).

The capital of the Bank is managed keeping in view the requirements laid down by SBP under BSD Circular No. 07 dated April 15, 2009 for "Minimum Capital Requirements for Banks". The adequacy of the capital is tested with reference to the risk-weighted assets of the Bank.

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 formalized strategy for the Internal Capital Adequacy Assessment as laid down by SBP under ICAAP Guidelines, which commensurate with the size, nature & complexity of its business operations.

The capital to risk weighted assets ratio, calculated in accordance with the SBP guidance on capital adequacy was as follows:

	Capital requirements		Risk weighted assets	
	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
	------------------- Rupees in '000 -------------------			
Credit Risk				
Portfolios subject to standardized approach				
Corporate	823,679	625,659	8,236,791	6,951,767
Retail	28,781	35,996	287,805	399,956
Banks and DFIs	79,991	29,480	799,906	327,556
Public sector entity	19,063	6,750	190,630	75,000
Sovereign (include GoP and SBP)	-	-	-	-
Residential mortgage finance	5,068	4,179	50,675	46,431
Past due loans	39,047	43,461	390,469	482,904
Fixed assets	142,518	78,813	1,425,184	875,703
Other assets	106,029	51,198	1,060,287	568,862
Off balance sheet - non market related	67,130	13,966	671,304	155,173
Off balance sheet - market related	1,692	1,589	16,923	17,659
Equity Exposure Risk in the Banking Book	145,788	57,865	1,457,883	723,310
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	7,335	4,073	73,347	45,259
Equity position risk	-	3,579	-	39,771
Foreign exchange risk	64,516	14,009	645,161	155,653
Operational Risk				
Capital Requirement for operational risks	151,311	120,138	1,513,110	1,334,863
Total	1,681,948	1,090,755	16,819,475	12,199,867

Capital Adequacy Ratio				
Total eligible regulatory capital held	(a)		4,035,020	3,464,574
Total risk weighted assets	(b)		16,819,475	12,199,867
Capital adequacy ratio (a) / (b)			23.99%	28.40%

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 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. 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, Treasury Middle Office and Credit Administration Department including Special Asset Management Unit.

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

a) Credit Risk Management (CRM) including both Corporate / Commercial and Small Medium Enterprise (SME) / Consumers Risks

b) Credit Administration Division (CAD) including Special Asset Management (SAM)

c) Operational Risk Management

d) Market Risk Management (MRM)

e) Treasury Middle Office

f) Financial Institution Risk Management Unit (also responsible for Cross-border Risk Management)

g) 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. Bank is exposed to credit risk on loans and advances, fund placements with financial institutions and certain investments.

The Bank's strategy is to minimize 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.

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.

41.1.1.1 Segment by class of business

	December 31, 2009					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent %	Rupees in '000	Percent %	Rupees in '000	Percent %
Mining and quarrying	-	-	36,111	0.17	-	-
Textile	1,711,764	14.07	27,776	0.13	126,294	1.22
Chemical and pharmaceuticals	1,376,263	11.31	604,360	2.84	333,705	3.23
Fertilizer	-	-	-	-	944,857	9.14
Automobile and transportation equipment	397,926	3.27	155,547	0.73	-	-
Electronics and electrical appliances	343,784	2.83	2,078	0.01	21,714	0.21
Construction	42,536	0.35	363,944	1.71	25,211	0.24
Power, gas, water and sanitary	697,499	5.73	257,491	1.21	102,139	0.99
Paper and board	244,911	2.01	6,634	0.03	20,806	0.20
Petroleum / Oil and gas	-	-	-	-	123,127	1.19
Food / Confectionery / Beverages	868,826	7.14	6,008	0.03	94,468	0.91
Trust and non-profit organizations	11,899	0.10	3,000,776	14.08	-	-
Wholesale and retail trade	499,737	4.11	385,690	1.81	-	-
Transport, storage and communication	425,000	3.49	2,590,470	12.15	96,220	0.93
Financial	953,027	7.83	1,349,977	6.33	8,078,668	78.18
Insurance	200,000	1.64	264,303	1.24	-	-
Services	297,135	2.44	741,222	3.48	86,323	0.84
Cement	19,911	0.16	-	-	-	-
Sugar	705,500	5.80	-	-	-	-
Individuals	2,284,840	18.78	10,677,094	50.09	1,811	0.02
Others	1,086,662	8.94	844,310	3.96	278,655	2.70
	12,167,220	100	21,313,791	100	10,333,998	100

	December 31, 2008					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent %	Rupees in '000	Percent %	Rupees in '000	Percent %
Mining and quarrying	132,653	1.35	30,770	0.20	-	-
Textile	1,600,751	16.29	57,239	0.37	327,062	5.42
Chemical and pharmaceuticals	1,466,713	14.92	153,145	1.00	136,265	2.26
CFS financing	51,333	0.52	-	-	-	-
Footwear and leather garments	60,511	0.62	61,141	0.40	-	-
Automobile and transportation equipment	179,263	1.82	3,720	0.02	-	-
Electronics and electrical appliances	507,376	5.16	1,888	0.01	5,365	0.09
Construction	-	-	21,269	0.14	1,170	0.02
Power, gas, water and sanitary	-	-	354,440	2.32	-	-
Paper and board	49,118	0.50	110	-	-	-
Food	1,111,389	11.31	22,420	0.15	-	-
Trust and non-profit organizations	14,918	0.15	1,712,352	11.20	-	-
Wholesale and retail trade	356,055	3.62	331,141	2.17	-	-
Transport, storage and communication	300,000	3.05	197,466	1.29	197,746	3.27
Financial	1,987,176	20.22	3,890,906	25.44	4,457,150	74.17
Insurance	200,000	2.03	367,977	2.41	-	-
Services	198,064	2.21	309,559	2.02	96,263	1.60
Individuals	909,450	9.25	6,138,115	40.13	-	-
Others	685,323	6.98	1,640,615	10.73	794,007	13.16
	9,810,093	100	15,294,273	100	6,015,028	100

41.1.1.2 Segment by sector

	December 31, 2009					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent %	Rupees in '000	Percent %	Rupees in '000	Percent %
Public / Government	550,000	4.52	1,256,529	5.90	321,368	3.11
Private	11,617,220	95.48	20,057,262	94.10	10,012,630	96.89
	12,167,220	100	21,313,791	100	10,333,998	100

	December 31, 2008					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent %	Rupees in '000	Percent %	Rupees in '000	Percent %
Public / Government	150,000	1.53	930,764	6.09	68,143	1.13
Private	9,660,093	98.47	14,363,509	93.91	5,946,885	98.87
	9,810,093	100	15,294,273	100	6,015,028	100

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

	December 31, 2009		December 31, 2008	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	------------------- Rupees in '000 -------------------			
Textile	78,642	78,642	65,966	65,966
Automobile and transportation equipment	56,895	13,030	2,298	2,298
Electronics and electrical appliances	-	-	662	662
Chemical and pharmaceutical	73,698	69,698	-	-
Wholesale and retail trade	265,543	74,984	-	-
Financial	177,062	97,261	306,594	11,488
Individuals	66,285	38,827	46,090	7,777
Other	138,934	100,640	33,894	33,894
	857,059	473,082	455,504	122,085

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

Public / Government	-	-	-	-
Private	857,059	473,082	455,504	122,085
	857,059	473,082	455,504	122,085

41.1.1.5 Geographical Segment Analysis

	December 31, 2009		December 31, 2008	
	Total assets employed	Net assets employed	Total assets employed	Net assets employed
	Rupees in '000			
Pakistan	32,894,920	5,654,559	21,627,802	5,275,837

	December 31, 2009		December 31, 2008	
	Loss before taxation	Contingencies and commitments	Profit before taxation	Contingencies and commitments
	Rupees in '000			
Pakistan	(1,448,793)	10,333,998	111,225	6,015,028

41.1.2 Credit Risk: Standardized 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 utilized 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
Securitizations	N/A	N/A	N/A	N/A	N/A
Others (Specify)	N/A	N/A	N/A	N/A	N/A

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

41.1.2.1 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
			December 31, 2009			
			------------------ Rupees in '000 ------------------			
Cash and Cash Equivalents		0%	456,774	-	456,774	-
Corporate	0	0%	-	304,823	304,823	-
	1	20%	4,514,536	103,877	4,618,413	923,683
	2	50%	550,803	(151,742)	399,061	199,531
	3,4	100%	52,191	-	52,191	52,191
	5,6	150%	-	-	-	-
	Unrated	100%	7,318,344	(256,958)	7,061,386	7,061,386
			12,435,874	-	12,435,874	8,236,791
Retail		0%	-	41,692	41,692	-
		20%	-	3,916	3,916	783
		50%	-	-	-	-
		75%	428,304	(45,608)	382,696	287,022
			428,304	-	428,304	287,805
Banks						
- Over 3 Months		0%	-	305,018	305,018	-
- Over 3 Months	1	20%	452,401	(305,018)	147,383	29,477
- Over 3 Months	2,3	50%	30,116	-	30,116	15,058
- Over 3 Months	4,5	100%	-	-	-	-
- Over 3 Months	6	150%	-	-	-	-
- Over 3 Months	Unrated	50%	-	-	-	-
			482,517	-	482,517	44,535
- Maturity Upto and under Months in FCY		0%	-	-	-	-
	1,2,3	20%	1,768,906	-	1,768,906	353,781
	4,5	50%	-	-	-	-
	6	150%	-	-	-	-
	unrated	20%	39,622	-	39,622	7,924
			1,808,528	-	1,808,528	361,705
- Maturity Upto and under 3 Months in PKR		0%	-	578,710	578,710	-
- Maturity Upto and under 3 Months in PKR		20%	2,547,046	(578,710)	1,968,336	393,667
			2,547,046	-	2,547,046	393,667
Residential Mortgage Finance		35%	144,785	-	144,785	50,675
Public Sector Entity						
		0%				-
	1	20%	400,470	-	400,470	80,094
	2,3	50%	-	-	-	-
	4,5	100%	-	-	-	-
	6	150%	-	-	-	-
	Unrated	50%	221,072	-	221,072	110,536
			621,542	-	621,542	190,630
Sovereigns (SBP / GoP)		0%	8,028,026	-	8,028,026	-
Equity Investments - Listed		100%	1,457,883	-	1,457,883	1,457,883
- Unlisted		150%	-	-	-	-
			1,457,883	-	1,457,883	1,457,883
Past Due Loans (Not Secured by Residential Mortgages)	S.P less than 20%	150%	96,738	-	96,738	145,107
	S.P upto 20%	100%	203,438	-	203,438	203,438
	S.P greater than 50%	50%	83,848	-	83,848	41,924
			384,024	-	384,024	390,469
Investment in fixed assets		100%	1,425,184	-	1,425,184	1,425,184
Other assets		100%	1,060,287	-	1,060,287	1,060,287
Total			31,280,774	-	31,280,774	13,899,631

* Credit Risk Mitigation (CRM)

41.1.2.2 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
			December 31, 2008			
			------------------ Rupees in '000 ------------------			
Cash and Cash Equivalents		0%	354,720	-	354,720	-
Corporate	0	0%	-	514,472	514,472	-
	1	20%	2,863,814	(181,157)	2,682,657	536,531
	2	50%	749,387	-	749,387	374,694
	3,4	100%	-	-	-	-
	5,6	150%	-	-	-	-
	Unrated	100%	6,373,857	(333,315)	6,040,542	6,040,542
			9,987,058	-	9,987,058	6,951,767
Retail		0%	-	22,805	22,805	-
		20%	-	-	-	-
		50%	-	-	-	-
		75%	556,079	(22,805)	533,274	399,956
			556,079	-	556,079	399,956
Banks						
- Over 3 Months		0%	-	-	-	-
- Over 3 Months	1	20%	5,061	-	5,061	1,012
- Over 3 Months	2,3	50%	-	-	-	-
- Over 3 Months	4,5	100%	-	-	-	-
- Over 3 Months	6	150%	-	-	-	-
- Over 3 Months	Unrated	50%	103,900	-	103,900	51,950
			108,961	-	108,961	52,962
- Maturity Upto and under 3 Months in FCY		0%	-	-	-	-
	1,2,3	20%	427,925	-	427,925	85,585
	4,5	50%	-	-	-	-
	6	150%	-	-	-	-
	unrated	20%	155,857	-	155,857	31,171
			583,782	-	583,782	116,756
- Maturity Upto and under 3 Months in PKR		0%	-	516,428	516,428	-
- Maturity Upto and under 3 Months in PKR		20%	1,305,616	(516,428)	789,188	157,838
			1,305,616	-	1,305,616	157,838
Residential Mortgage		35%	132,660	-	132,660	46,431
Public Sector Entity						
		0%	-	-	-	-
	1	20%	-	-	-	-
	2,3	50%	-	-	-	-
	4,5	100%	-	-	-	-
	6	150%	-	-	-	-
	Unrated	50%	150,000	-	150,000	75,000
			150,000	-	150,000	75,000
Sovereigns (SBP / GoP)		0%	4,306,568	-	4,306,568	-
Equity Investments - Listed		100%	723,310	-	723,310	723,310
- Unlisted		150%	-	-	-	-
			723,310	-	723,310	723,310
Past Due Loans (Not Secured by Residential Mortgages)	S.P less than 20%	150%	298,972	-	298,972	448,458
	S.P upto 20%	100%	34,446	-	34,446	34,446
	S.P greater than 50%	50%	-	-	-	-
			333,418	-	333,418	482,904
Investment in fixed assets		100%	875,703	-	875,703	875,703
Other assets		100%	568,862	-	568,862	568,862
Total			19,986,737	-	19,986,737	10,451,489

* Credit Risk Mitigation (CRM)

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

For Credit Risk Mitigation purposes the Bank uses only the eligible collaterals under Simple Approach of Credit Risk Mitigation under Standardized 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.

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 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 BoD. The Bank follows a delivery verses payment settlement system thereby minimizing risk available in relation to settlement risk.

	December 31, 2009			
	Cost	Impairment	Market value	Un-realised gain / (loss)
	--------------- Rupees in '000 ---------------			
Available-for-sale securities				
Listed equity investment	668,558	(44,349)	628,538	4,329
Investment in preference shares - listed	95,503	(53,161)	93,499	51,157
Investment in closed end mutual funds	28,164	(22,216)	5,948	-
Investment in open end mutual funds	122,606	(42,081)	80,525	-
Strategic investment				
Investment in closed end mutual funds	293,347	(132,849)	160,498	-
	1,208,178	(294,656)	969,008	55,486

	December 31, 2008			
	Cost	Impairment	Market value	Un-realised gain / (loss)
	--------------- Rupees in '000 ---------------			
Available-for-sale securities				
Listed equity investment	450,030	-	159,934	(290,096)
Investment in preference shares - listed	95,503	-	109,127	13,624
Investment in closed end mutual funds	28,164	-	7,603	(20,561)
Investment in open end mutual funds	275,000	-	111,902	(163,098)
Strategic investment				
Investment in close end mutual funds	293,347	-	94,941	(198,406)
	1,142,044		483,507	(658,537)

The cumulative realised gains / (losses) arising from sales and liquidation in the reporting period.

	December 31, 2009	December 31, 2008
	------- Rupees in '000 -------	
Available-for-sale securities	(36,367)	169,306

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 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 standardized approach for the purpose of computing regulatory capital, the details of which are set out in note 40.3.

41.3.2 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.

	December 31, 2009			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	---------------------- Rupees in '000 ----------------------			
Pakistan rupee	30,365,751	25,353,443	1,283,572	6,295,880
United States dollar	2,251,880	1,480,224	(1,413,990)	(642,334)
Great Britain pound	77,837	146,255	67,921	(497)
Euro	110,900	247,946	134,716	(2,330)
Other currencies	88,552	12,493	(72,219)	3,840
	2,529,169	1,886,918	(1,283,572)	(641,321)
	32,894,920	27,240,361	-	5,654,559

	December 31, 2008			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	---------------------- Rupees in '000 ----------------------			
Pakistan rupee	20,398,303	15,100,488	(177,631)	5,120,184
United States dollar	1,111,545	964,890	6,133	152,788
Great Britain pound	43,801	105,558	62,354	597
Euro	71,600	180,705	109,390	285
Other currencies	2,553	324	(246)	1,983
	1,229,499	1,251,477	177,631	155,653
	21,627,802	16,351,965	-	5,275,837

41.3.3 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.

41.3.4 Yield / Interest Rate Risk in the Banking Book (IRRBB)-Basel II Specific

In order to quantify the interest rate risk sensitivity on assets and liabilities of the Bank, the Bank performs portfolio stress tests under certain assumptions to assess the impact on the Bank's capital adequacy. This exercise is conducted under SBP guidelines on stress testing. Accordingly, assets and liabilities as of December 31, 2009 have been subject to different shock levels (assumed rise in Interest Rate levels). The analysis implies that consequent impact on the Bank's overall CAR would be -0.22%, -0.45% and -1.13% with corresponding increase of 1%, 2% and 5% in interest rate levels respectively.

41.3.5 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.

	December 31, 2009											
	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	0	1,764,403	382,810	-	-	-	-	-	-	-	-	1,381,593
Balances with other banks	0	1,820,857	1,383,057	-	-	-	-	-	-	-	-	437,800
Lending to financial institutions	2.50-13.96	3,482,564	3,382,564	100,000	-	-	-	-	-	-	-	-
Investments	2.95-15.26	9,535,555	3,650	1,422,641	1,887,571	2,212,983	311,124	620,968	444,980	1,613,607	49,023	969,008
Advances	5.00-20.00	11,689,653	6,914,778	626,769	1,901,260	433,291	832,828	496,581	267,991	55,034	161,121	-
Other assets	-	555,005	-	-	-	-	-	-	-	-	-	555,005
		28,848,037	12,066,859	2,149,410	3,788,831	2,646,274	1,143,952	1,117,549	712,971	1,668,641	210,144	3,343,406
Liabilities												
Bills payable	-	320,492	-	-	-	-	-	-	-	-	-	320,492
Borrowings	6.50-12.70	5,039,635	3,941,351	394,018	691,291	-	-	-	-	-	-	12,975
Deposits and other accounts	0.25-16.00	21,313,791	10,669,109	951,039	1,563,970	3,028,858	128,876	9,300	-	-	-	4,962,639
Other liabilities	-	558,203	-	-	-	-	-	-	-	-	-	558,203
		27,232,121	14,610,460	1,345,057	2,255,261	3,028,858	128,876	9,300	-	-	-	5,854,309
On-balance sheet financial instruments		1,615,916	(2,543,601)	804,353	1,533,570	(382,584)	1,015,076	1,108,249	712,971	1,668,641	210,144	(2,510,903)
Forward lendings		-	-	-	-	-	-	-	-	-	-	-
Forward borrowings		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap			(2,543,601)	804,353	1,533,570	(382,584)	1,015,076	1,108,249	712,971	1,668,641	210,144	-
Cumulative Yield / Interest Risk Sensitivity Gap			(2,543,601)	(1,739,248)	(205,678)	(588,262)	426,814	1,535,063	2,248,034	3,916,675	4,126,819	-

	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
						December 31, 2008						
						Rupees in '000						
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.90-3.60	1,285,247	206,869	-	-	-	-	-	-	-	-	1,078,378
Balances with other banks	1.48-3.56	672,271	549,902	-	-	-	-	-	-	-	-	122,369
Lending to financial institutions	13.50-21.00	1,405,210	1,305,210	100,000	-	-	-	-	-	-	-	-
Investments	9.49-17.91	5,138,709	741,275	1,882,072	681,143	370	105,220	141,956	683,017	509,392	-	394,264
Advances	5.00-23.10	9,680,449	7,152,756	771,593	162,059	181,588	719,452	258,129	292,474	46,878	95,520	-
Other assets		565,402	-	-	-	-	-	-	-	-	-	565,402
		18,747,288	9,956,012	2,753,665	843,202	181,958	824,672	400,085	975,491	556,270	95,520	2,160,413
Liabilities												
Bills payable		127,922	-	-	-	-	-	-	-	-	-	127,922
Borrowings	7.50-15.65	537,655	387,655	100,000	50,000	-	-	-	-	-	-	-
Deposits and other accounts	1.50-18.50	15,294,273	8,518,365	1,372,305	874,168	1,582,149	230,162	11,890	-	-	-	2,705,234
Other liabilities		389,131	-	-	-	-	-	-	-	-	-	389,131
		16,348,981	8,906,020	1,472,305	924,168	1,582,149	230,162	11,890	-	-	-	3,222,287
On-balance sheet financial instruments		2,398,307	1,049,992	1,281,360	(80,966)	(1,400,191)	594,510	388,195	975,491	556,270	95,520	(1,061,874)
Forward lendings		-	-	-	-	-	-	-	-	-	-	-
Forward borrowings		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total Yield / Interest Risk Sensitivity Gap			1,049,992	1,281,360	(80,966)	(1,400,191)	594,510	388,195	975,491	556,270	95,520	-
Cumulative Yield / Interest Risk Sensitivity Gap			1,049,992	2,331,352	2,250,386	850,195	1,444,705	1,832,900	2,808,391	3,364,661	3,460,181	-

	2009	2008
	Rupees in '000	
Reconciliation to Total Assets		
Balance as per Balance sheet	32,894,920	21,627,802
Less: Non Financial Assets		
Operating Fixed Assets	3,039,329	2,496,883
Deferred tax assets	924,907	271,646
Other Assets	82,647	111,985
	4,046,883	2,880,514
	28,848,037	18,747,288
Reconciliation to Total Liabilities		
Balance as per Balance sheet	27,240,361	16,351,965
Less: Non Financial Liabilities		
Government duties	8,240	2,984
	27,232,121	16,348,981

41.4 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 balance sheet.

For monitoring and controlling liquidity risk, the Bank generates a scenario sensitive maturity balance sheet, 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

	December 31, 2009									
	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
Assets										
Cash and balances with treasury banks	1,764,403	1,764,403	-	-	-	-	-	-	-	-
Balances with other banks	1,820,857	1,820,857	-	-	-	-	-	-	-	-
Lendings to financial institutions	3,482,564	1,881,183	1,601,381	-	-	-	-	-	-	-
Investments	9,535,555	3,650	1,422,641	1,887,571	3,021,493	311,124	620,968	444,980	1,774,105	49,023
Advances	11,689,653	6,914,778	626,769	1,901,260	433,291	832,828	496,581	267,991	55,034	161,121
Other assets	637,652	448,372	8,981	6,222	48,037	111,830	7,262	6,948	-	-
Operating fixed assets	3,039,329	17,197	38,777	120,339	112,812	203,034	153,955	264,499	297,051	1,831,665
Deferred tax assets	924,907	-	-	-	-	-	-	924,907	-	-
	32,894,920	12,850,440	3,698,549	3,915,392	3,615,633	1,458,816	1,278,766	1,909,325	2,126,190	2,041,809
Liabilities										
Bills payable	320,492	320,492	-	-	-	-	-	-	-	-
Borrowings	5,039,635	3,954,326	394,018	691,291	-	-	-	-	-	-
Deposits and other accounts	21,313,791	15,631,748	951,039	1,563,970	3,028,858	128,876	9,300	-	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	566,443	530,155	-	-	-	36,288	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
	27,240,361	20,436,721	1,345,057	2,255,261	3,028,858	165,164	9,300	-	-	-
Net assets	5,654,559	(7,586,281)	2,353,492	1,660,131	586,775	1,293,652	1,269,466	1,909,325	2,126,190	2,041,809
Share capital	6,127,605									
Statutory reserve	18,040									
Unappropriated profit	(523,192)									
Surplus on revaluation of assets	32,106									
	5,654,559									

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

	December 31, 2008									
	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
Assets										
Cash and balances with treasury banks	1,285,247	1,285,247	-	-	-	-	-	-	-	-
Balances with other banks	672,271	672,271	-	-	-	-	-	-	-	-
Lending to financial institutions	1,405,210	1,305,210	100,000	-	-	-	-	-	-	-
Investments	5,138,709	1,040,599	1,882,072	681,143	370	105,220	141,956	683,017	604,332	-
Advances	9,680,449	7,152,756	771,593	162,059	181,588	719,452	258,129	292,474	46,878	95,520
Other assets	677,387	477,674	20,205	18,346	26,165	121,789	10,925	2,283	-	-
Operating fixed assets	2,496,883	15,662	42,753	46,746	93,226	139,460	114,067	147,644	231,506	1,665,819
Deferred tax assets	271,646	-	-	-	-	-	-	271,646	-	-
	21,627,802	11,949,419	2,816,623	908,294	301,349	1,085,921	525,077	1,397,064	882,716	1,761,339
Liabilities										
Bills payable	127,922	127,922	-	-	-	-	-	-	-	-
Borrowings	537,655	387,655	100,000	50,000	-	-	-	-	-	-
Deposits and other accounts	15,294,273	11,223,599	1,372,305	874,168	1,582,149	230,162	11,890	-	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	392,115	375,050	-	-	-	17,065	-	-	-	-
Deferred tax liabilities	16,351,965	12,114,226	1,472,305	924,168	1,582,149	247,227	11,890	-	-	-
	5,275,837	(164,807)	1,344,318	(15,874)	(1,280,800)	838,694	513,187	1,397,064	882,716	1,761,339
Net assets										
Share capital	5,694,844									
Statutory reserve	18,040									
Unappropriated profit	71,744									
Deficit on revaluation of assets	(508,791)									
	5,275,837									

The expected maturity dates do not differ significantly from the contract date except for the maturity of Rs.3.01 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 new industry standards. Accordingly the Bank has set up a separate Operational Risk Management Unit (ORM).

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

The Bank has implemented a Risk Self Assessment Methodology called Internal Control Evaluation Process (ICEP) framework across the Bank. ICEP framework overlooks the Risk Control and Self Assessment (RCSA) that has been implemented across the Bank to monitor and assess the internal controls in the Bank. Moreover, the Bank is in the process of revising procedural manuals and implementing best practices throughout the Bank. This project is in the completion stages.

The Bank has developed Operational Risk Matrices / Key Risk Indicators for all operational areas of the Bank. Currently these are in the process of being implemented with reporting mechanism formalised. Findings from KRIs will be used as predictive indicators of potential operational risks and will provide early warning signals.

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 Plan (BCP) includes risk management strategies to mitigate inherent risk and prevent interruption of mission critical services caused by disaster event.

42. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February 23, 2010.

43. GENERAL

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

43.2 Captions, as prescribed by the BSD Circular No. 04 dated February 17, 2006 issued by the State Bank of Pakistan, in respect of which there are no amounts, have not been reproduced in these financial statements except for in the balance sheet and profit and loss account.

Jahangir Siddiqui	Naveed Qazi	Syed Amjad Ali	Basir Shamsie
Chairman	President/Chief Executive	Director	Director

SHAREHOLDER'S STATISTICS

As at December 31, 2009

PATTERN OF SHAREHOLDING
FORM 34
THE COMPANIES ORDINANCE 1984
(Section 236(1) and 464)

No. of Shareholders	Shareholdings From	Shareholdings To	Total Shares Held
345	1	100	11,127
1226	101	500	504,528
1395	501	1000	1,340,142
2755	1001	5000	8,079,252
835	5001	10000	6,719,483
346	10001	15000	4,374,709
184	15001	20000	3,322,198
140	20001	25000	3,246,074
101	25001	30000	2,877,061
51	30001	35000	1,693,645
50	35001	40000	1,894,150
23	40001	45000	1,010,557
83	45001	50000	4,064,621
11	50001	55000	587,455
20	55001	60000	1,175,769
6	60001	65000	381,256
13	65001	70000	872,882
19	70001	75000	1,397,309
8	75001	80000	623,353
12	80001	85000	987,704
6	85001	90000	525,491
4	90001	95000	377,500
31	95001	100000	3,090,185
6	100001	105000	620,231
8	105001	110000	863,959
6	110001	115000	677,000
2	115001	120000	237,500
3	120001	125000	365,367
6	125001	130000	766,095
1	130001	135000	134,000
1	135001	140000	140,000
1	140001	145000	143,104
8	145001	150000	1,196,720
3	150001	155000	459,418
3	155001	160000	478,100
4	160001	165000	656,520
4	165001	170000	678,532
2	170001	175000	350,000
1	175001	180000	180,000
5	180001	185000	917,259
1	190001	195000	191,915
5	195001	200000	1,000,000
2	200001	205000	407,239
4	205001	210000	830,300
2	215001	220000	435,700
1	220001	225000	225,000
1	230001	235000	232,750
2	245001	250000	500,000
2	250001	255000	508,312

No. of Shareholders	Shareholdings From	To	Total Shares Held
2	255001	260000	514,596
1	260001	265000	264,000
2	275001	280000	557,962
1	285001	290000	286,467
4	295001	300000	1,200,000
1	300001	305000	301,305
1	305001	310000	305,500
1	315001	320000	316,500
1	325001	330000	328,320
1	355001	360000	355,500
1	385001	390000	388,500
1	395001	400000	400,000
1	410001	415000	411,000
1	415001	420000	419,500
1	445001	450000	450,000
1	460001	465000	461,914
1	470001	475000	475,000
1	490001	495000	493,681
3	495001	500000	1,500,000
1	500001	505000	505,000
1	535001	540000	535,205
1	545001	550000	549,750
2	595001	600000	1,200,000
1	625001	630000	630,000
1	645001	650000	650,000
1	725001	730000	729,000
1	745001	750000	750,000
1	795001	800000	800,000
1	800001	805000	801,913
1	995001	1000000	1,000,000
1	1030001	1035000	1,032,000
1	1095001	1100000	1,100,000
1	1145001	1150000	1,147,000
1	1455001	1460000	1,457,500
1	1500001	1505000	1,501,500
1	1540001	1545000	1,545,000
1	1795001	1800000	1,800,000
1	1995001	2000000	2,000,000
1	2135001	2140000	2,136,000
1	2995001	3000000	3,000,000
1	3020001	3025000	3,022,000
1	3435001	3440000	3,435,979
1	4025001	4030000	4,029,204
1	4625001	4630000	4,625,500
1	6995001	7000000	7,000,000
1	13175001	13180000	13,179,732
1	20000001	20005000	20,000,001
2	21095001	21100000	42,193,754
1	23460001	23465000	23,460,694
1	395160001	395165000	395,162,551
7,806			612,760,500

Categories of Shareholders		Shares Held	Percentage %
BANKS DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS.		6,710,649	1.10
INSURANCE COMPANIES		25,471,441	4.16
DIRECTORS, CHIEF EXECUTIVE OFFICER, AND THEIR SPOUSE AND MINOR CHILDREN			
HAFSA SHAMSIE		328,320	
MAQBOOL AHMED SOOMRO		16	
ASHRAF NAWABI		1	
SYED AMJAD ALI		1	
BASIR SHAMSIE		1	
JAHANGIR SIDDIQUI		1	
RAFIQUE R. BHIMJEE		98,415	
AKHTER JABEEN		218,700	
MAZHAR UL HAQ SIDDIQUI		801,914	
NAVEED QAZI		3,000,000	
	Sub-Totals :	4,447,369	0.73
ASSOCIATED COMPANIES, UNDERTAKING AND RELATED PARTIES.			
JAHANGIR SIDDIQUI & CO. LIMITED		395,162,551	
AMERICAN EXPRESS BANK LIMITED		20,000,001	
	Sub-Totals :	415,162,552	67.75
MODARABAS AND MUTUAL FUNDS.		4,409,732	0.72
NIT AND ICP			
IDBP (ICP UNIT)		5,467	
INVESTMENT CORP. OF PAKISTAN		972	
NATIONAL BANK OF PAKISTAN-TRUSTEE DEPARTMENT		21,097,241	
NBP TRUSTEE - NI(U)T (LOC) FUND		21,096,513	
	Sub-Totals :	42,200,193	6.89
FOREIGN INVESTORS		1,374,423	0.22
OTHERS		28,689,585	4.68
INDIVIDUAL			
LOCAL - INDIVIDUALS		84,294,556	
	Sub-Totals :	84,294,556	13.76
	G-Totals :	612,760,500	100.00

Details of transations carried out by Directors, Chief Executive Officer (CEO), Chief Financial Officer (CFO), Company Secretary and their spouses and minor children during the period from January 01, 2009 to December 31,2009

NIL

FORM OF PROXY

4th 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 4th Annual General Meeting of the Company to be held on March 30, 2010 and / or any adjournment thereof.

As witness my / our hand / seal this ___________ day of __________ 2010. signed by _______________________ in the presence of (name & address)

Witness:

1.Name ____

Signature ____

Address ____

____

CNIC or ____

Passport No. ____

2.Name ____

Signature ____

Address ____

CNIC or ____

Passport No. ____

Signature on Rs.5/-
Revenue Stamp

The signature should agree with the specimen registered with the company

Important:

1. A member of the Company 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 Company 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 Company, 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 Company, 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 Computerised National Identity Card (CNIC) or Passport for identification purposes at the time of attending meeting. The Form proxy must be submitted with the Company 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 Company).

AFFIX
CORRECT
POSTAGE

The Company Secretary
JS Bank Limited
Shaheen Commercial Complex
Dr. Ziauddin Ahmed Road
P.O. Box 4847 Karachi 74200 Pakistan

JS Bank Limited

Head Office
Shaheen Commercial Complex
Dr. Ziauddin Ahmed Road
P.O. Box 4847
Karachi-74200
Pakistan

U: 111-JS-BANK (111-57-2265)
T: +92 (21) 3263 0343-49
F: +92 (21) 3263 1803

0800-011-22
www.jsbl.com