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Company Information

Board of Directors	Chairman	Mr. Jahangir Siddiqui Mr. Mazharul Haq Siddiqui Mr. Maqbool A. Soomro Mr. Ashraf Nawabi Mr. Rafique R. Bhimjee Mr. Shahab Anwar Khawaja Mr. Basir Shamsie
President & Chief Executive Officer		Mr. Kalim-ur-Rahman
Audit Committee	Chairman Member Member	Mr. Jahangir Siddiqui Mr. Maqbool A. Soomro Mr. Rafique R. Bhimjee
Human Resource Committee	Chairman Member Member Member	Mr. Jahangir Siddiqui Mr. Kalim-ur-Rahman Mr. Maqbool A. Soomro Mr. Rafique R. Bhimjee
Risk Management Committee	Chairman Member Member	Mr. Jahangir Siddiqui Mr. Kalim-ur-Rahman Mr. Ashraf Nawabi
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 2010

- Addition of 25 new locations, growing the network to 126 on-line branches.
- Focused growth into rural and semi-urban markets.
- Network reach increased to 67 cities.
- Credit Ratings maintained at A1 (Short Term) and A (Long Term).
- Diversified the deposits base with a greater proportion of low cost retail deposits.
- Continued growth in trade related business.
- Substantial growth in Home Remittances Business.
- Robust performance of all fee based businesses.
- Launched new technology enabled delivery channels and services.

NOTICE OF FIFTH ANNUAL GENERAL MEETING

Notice is hereby given that the fifth Annual General Meeting of the shareholders of JS Bank Limited will be held on March 30, 2011 at 9:30 am at Beach Luxury Hotel, Karachi to transact the following business:

1. Confirm the minutes of the Extraordinary General Meeting held on July 23, 2010.
2. To receive and consider the Audited Financial Statements of the Bank for the year ended December 31, 2010 together with the Directors' Report and Auditors' Report thereon.
3. To appoint the auditors and fix their remuneration. The present auditors Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants (Member firm of Ernst & Young Global Limited) retire and in compliance of the Code of Corporate Governance become ineligible for re-appointment for having completed a term of five years. The Board of Directors, on the suggestion of the Audit Committee of the Bank has recommended M. Yousuf Adil Saleem & Co. Chartered Accountants, Member of Deloitte Touche Tohmatsu as auditors for the ensuing year.
4. Any other business with the permission of the Chairman.

Karachi: March 08, 2011

By Order of the Board
Muhammad Yousuf Amanullah
Company Secretary

Notes:

- (i) Share transfer books of the Bank will remain closed from March 23, 2011 to March 29, 2011 (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) Shareholders are requested to notify immediately for any change in their address.

DIRECTORS' REPORT

We are pleased to present the Fifth Annual Report of JS Bank Limited ("JSBL") along with the audited accounts and Auditors' report thereon for the year ended December 31, 2010.

Economic Review

The Financial year 2010 turned out to be another difficult one for the economic managers of Pakistan. The economy was en route to recovery in the first half of the calendar year when massive floods hit the country in July and August, inundating one fifth of the country and affecting over 20 million people who were rendered homeless and destitute. This derailed the recovery process. The World Bank has estimated the flood recovery and restructuring cost to be between US\$ 8.7-10.9 billion. A substantial portion of the cotton crop was destroyed, resulting in a shortfall of over 2 million bales (about 17% of the total crop) in the availability of cotton as compared to a normal year. Similar adverse factors in China and Australia have resulted in a world-wide shortage of cotton -- as a result of which the cotton prices are now at record highs, affecting the textile industry -- which accounts for about 65% of Pakistan's industrial base.

The US\$ 11.2 billion Stand-by Arrangement (SBA) program of the IMF was also disrupted in the fourth quarter of the year, as the Government was unable to meet the deadlines for some fiscal reforms, especially those pertaining to the Reformed General Sales Tax (RGST) and elimination of subsidies to the energy sector. However, the SBA program has now been extended for a period of nine months, upto end September 2011, with remaining funds of US\$ 3.4 billion expected to be disbursed once the SBA conditions have been met.

Home remittances reached a record US\$ 8.9 billion in the fiscal year 2010 (up 14% year on year) and continued to remain robust in the first half of fiscal year 2011 (Jul-Dec), totaling US\$ 5.3 billion, up 17% year on year. The trade deficit, on the other hand, rose by 18.2% year on year to US\$ 8.2 billion, with exports up by 20.6% to US\$ 10.9 billion and imports jumping by 19.6% to US\$ 19.1 billion. Even so, Pakistan's external account recorded a much reduced current account deficit of US\$ 19 million for the half-year Jul-Dec 2010 (as against US\$ 2.57 billion for Jul-Dec 2009), mainly due to increased home remittances, foreign aid inflows and reimbursements received under the Coalition Support Fund (CSF), with the foreign exchange reserves rising to a record high of US\$ 17.2 billion.

High inflation continued to plague the economy, with headline inflation averaging 14.6% year on year in the second half of calendar year 2010. This, coupled with increased government borrowing from the banking sector, has led the central bank to raise the discount rate thrice, by 50bps each time, to 14% during the period. Although this will hopefully help in controlling inflation, it is likely to hurt the already muted credit growth and may also increase asset quality risk.

The banking sector faced a difficult year, with a relatively subdued demand for private sector credit resulting in low off-take. Rising Non-Performing Loans (NPLs) and the increasing loan loss provisioning expense continued to hurt the profitability of the smaller banks who do not have the capacity to sustain such expenses to any great extent. In the 3rd calendar quarter alone, industry wide NPLs rose by Rs 32 billion, the largest rise in the past six quarters. On the other hand, an encouraging trend was witnessed in the fourth quarter 2010, when industry wide advances, deposits and investments grew by 6.9%, 15.8% and 9.7% respectively, to register full year 2010 growth of 6.8%, 18.5% and 27.8%, respectively. Going forward, with the discount rate already up to 14% and low economic growth, we will see demand for credit remaining relatively low, and the banks continuing to invest large sums in government securities.

Business Overview

2010 was a year of consolidation and steady growth for our Retail Banking Group, as we continued towards the realization of our vision of becoming a sound, mid-sized performance driven bank on Pakistan's banking landscape.

While much of 2009 was focused on major initiatives towards physical growth and visibility, particularly in the areas of network expansion, alternate delivery channels and marketing communications, 2010 was spent more on consolidation and moving towards profitability for the Bank. This has been a daunting task in the face of a less than ideal business environment in a depressed economy. To ensure that we maintain our market competitiveness in terms of network outreach, the Bank branched out into 25 new locations across the country, particularly in the suburban localities and smaller cities; where the bank has managed to make useful inroads into the local market, with major emphasis on low cost deposits and non-funds based income from Bancassurance and Home Remittances.

On the Alternate Delivery Channels (ADC) side, much has been done to facilitate the delivery of new and augmented services at all the ATM locations, and to increase the overall transaction base of the ATM network deployed. More ATM location deployments are planned for 2011 now that a host of new ADC services including E-statements, SMS Alerts, Internal Funds Transfer (IFT) and Inter-Bank Funds Transfer (IBFT) have been launched to increase the range of services available at the ATMs, thereby giving customers a market competitive suite of ADC services from JS Bank.

On the Product Development and Marketing Communications side, the focus again has been to consolidate the product suite and push out new product services to build revenue lines for the bank without incurring major costs. As a part of this process, much focus was placed on increasing Non-Funds Income (NFI) through two crucial product lines of Bancassurance and Home Remittances, complemented with other products such as special savings accounts targeting home remittance beneficiaries.

On the Deposits front, the focus has continued to be on the core low cost deposits, mainly Current and Savings Accounts (CASA). All branches have aggressively solicited CASA which has resulted in a healthy growth in the Retail Banking deposit base while keeping the overall cost of funds reasonably low. The Bank is now well-poised to continue building on its strengths and expanding both its offerings and outreach to close 2011 on an overall positive note.

There was intense activity in our Corporate/Commercial Banking Group during the second half of the year under review. Despite the adverse economic conditions, we managed to grow the asset-based business and add new customers to the portfolio, which led to a solid increase in the volumes. The concept of in-depth relationship management is in place, now covering a more diversified customer base. There was also increased emphasis on the trade finance business with structured transactions and self-liquidating loans. High liquidity and a low advances/deposit ratio encouraged us to be a little more aggressive in booking quality risk assets, backed by focused customer relationship management. Going forward, we plan to continue building a diversified customer base with a good risk profile.

On the Treasury front, we have enhanced our Primary Dealership business by growing client volumes in Government of Pakistan debt securities. In terms of asset/liability and rates risk management, we have kept a short duration investment portfolio to mitigate the risk of a rising interest rate trend.

In 2010, we launched into the Home Remittances business in a dedicated manner, in line with the State Bank of Pakistan (SBP), Ministry of Finance and Ministry of Overseas Pakistanis joint effort under the banner of 'Pakistan Remittance Initiative' ("PRI"). We have achieved considerable success in this activity and have thus far partnered with over 20 exchange companies from the GCC countries, UK, Australia, and North America. This has not only enhanced our fee based income but also increased footfall at the branch level, providing an opportunity to cross-sell retail banking products.

Our long term strategy is to further strengthen our branch network to increase brand awareness and mobilize low cost deposits. We have opened 25 new branches bringing the total number of branches to 126 as at December 31, 2010. The strategic investment made by the Bank during 2009 in the expansion of its infrastructure, including the opening of 62 new branches and sub-branches, is beginning to pay off. On the lending side, we intend to increase our focus on the Commercial and Retail sectors. We also believe that in the years to come, the expanded branch network, a low cost deposit base and quality lending will greatly boost the financial performance of the Bank.

Financial Performance

During the year under review, the Balance Sheet of your Bank grew by 19.73% to Rs 39.38 billion from Rs 32.89 billion as at December 31, 2009, mainly due to an increase in the Bank's deposit base from Rs 21.31 billion to Rs. 26.27 billion, an increase of 23.28%. On the asset side, the main growth was recorded in investments, which grew by 43.69% to Rs. 13.70 billion, while the advances grew by 19.58% to Rs. 13.98 billion. Your bank has suffered a net loss before tax of Rs 622.55 million during the year, as compared to a loss of Rs 1,448.79 million for the year ended December 31, 2009.

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

	2010	2009	2008	2007
				(Rupees in 000)
Deposits and other accounts	26,276,328	21,313,791	15,294,273	13,679,898
Total Assets	39,383,647	32,894,920	21,627,802	20,327,752
Investments	13,701,699	9,535,555	5,138,709	6,309,536
Advances	13,978,113	11,689,653	9,680,449	6,475,963
(Loss) / Profit before tax	(622,550)	(1,448,793)	111,225	(62,221)
(Loss) / Profit after tax	(407,479)	(594,936)	54,770	35,431
Number of Branches	126	101	39	9

To meet the Minimum Capital Requirement (MCR) as specified by the State Bank of Pakistan (SBP) for the Bank's Balance Sheet as at 31-12-2009, the Bank issued 202,210,965 rights shares at a price of Rs. 3/- per share i.e. at a discount of Rs. 7/- per share, in October 2010, after obtaining all regulatory approvals. For the requirement as at 31-12-2010, the Bank submitted a plan to the SBP in October 2010, which we are pleased to advise, has been approved in-principle by them. The Bank is now in the process of completing procedural formalities, and we are hopeful that the Bank would be able to meet the minimum capital requirement for end 2010 by the middle of 2011.

Auditors

In compliance with the Code of Corporate Governance, the present auditors Messers Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, are ineligible for re-appointment, having completed a term of five years. The Board of Directors, on the suggestion of the Audit Committee of the Bank, has recommended the appointment of Messers M. Yousuf Adil Saleem & Co. (a member firm of Deloitte Touche Tohmatsu), Chartered Accountants, as auditors for 2011, i.e. until the conclusion of the next AGM.

Credit Ratings

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

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 reviewed 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 the testing activities. With the testing activities underway, management is geared to comply with the requirement for certification of internal controls upon finalization of the reporting formats between the various Regulatory stakeholders.

Risk Management Framework

JS 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 & allocation of the Bank's Capital. The Bank's risk management architecture has been structured to ensure compliance with not only the "Regulatory Guidelines" but also to best suit the bank's strategic goals.

Risk management activities in the bank take place at different hierarchy levels but are supervised by the Board of Directors through a framework of policies, procedures, risk measurement and monitoring mechanism, closely aligned with the operations of the banks.

A sound structure of Risk Management Committees, comprising of Board's Sub-committee on Risk (BRMC) and the Integrated Risk Management Committee (IRMC) of the Management, is in place, which manage and monitor the overall risk profile of the Bank.

The Assets & Liabilities Committee (ALCO) of the Management monitors the Market, Liquidity and Foreign Exchange risks to ensure that these remain within predefined limits. This committee meets on a regular basis to review market developments and the level of financial risk exposure of the Bank.

A dedicated and independent Risk Management Group, staffed with Professionals having diversified experience of multi-national banks, is in place to manage all aspects of Risk at JS Bank.

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

In brief, the bank has institutionalized Risk Management Guidelines prescribed by the SBP in all disciplines of Risk Management viz. Credit, Market, Liquidity and Operational Risks etc., and this includes but is not limited to:

- 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 and Exchange Commission of Pakistan Code of Corporate Governance for the following:

- The financial statements prepared by the Management present fairly the state of affairs of the Bank, the results of its operations, Cash Flow Statement and Statement of Changes in Equity.
- Proper books of accounts of the Bank have been maintained.
- Accounting policies as stated in the notes to the accounts have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- 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 Fund scheme covering all its permanent employees. The un-audited balance of the fund as at December 31, 2010 was Rs 116 million (December 31, 2009 was Rs 90.96 million).

Board Meetings

Eight meetings of the Board of Directors were held during the Year 2010. The attendance of directors at Board Meetings was as follows:

Name of Director	Eligible to attend	Meetings attended
Mr. Jahangir Siddiqui, Chairman	8	8
Mr. Mazharul Haq Siddiqui	8	8
Mr. Maqbool A. Soomro	8	8
Mr. Ashraf Nawabi	8	5
Mr. Rafique R. Bhimjee	8	6
Syed Amjad Ali*	7	5
Mr. Shahab Anwar Khawaja*	1	1
Mr. Basir Shamsie	8	8
Mr. Kalim-ur-Rahman, President & CEO**	2	2
Mr. Naveed Qazi, President & CEO**	6	4

* Syed Amjad Ali resigned and Mr. Shahab Anwar Khawaja was appointed director on a casual vacancy in the BOD meeting held on August 26, 2010.

** Mr. Naveed Qazi resigned and Mr. Kalim-ur-Rahman was appointed as President & CEO with effect from July 31, 2010.

Pattern of Shareholding

Statement of Pattern of Shareholding as on December 31, 2010 appears on Page No. 67 and includes the transactions carried out by the Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary and their spouses and minor children.

Acknowledgements

JS Bank is grateful to the Government of Pakistan, the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan and other authorities / agencies, Financial Institutions and Correspondent Banks for their valuable support and guidance. The Directors also express their deep sense of appreciation to all the staff members of the Bank for their dedicated service, professionalism and commitment towards the Bank's vision for sustainable growth and profitability. Finally, the Directors wish to sincerely thank all the customers, shareholders and other stakeholders for their valuable support.

For and on behalf of the Board

Kalim-ur-Rahman

President &
Chief Executive Officer

Karachi: March 05, 2011

Statement of Compliance with the Best Practices of Corporate Governance

For the year ended December 31, 2010

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.
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. A casual vacancy occurred on the Board during the year ended December 31, 2010 was filled up by the Board of Directors on August 26, 2010.
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 the 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

Kalim-ur-Rahman
President & CEO
Karachi: March 05, 2011

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 2010 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 that Bank to place before the Board of Directors for their consideration and approval related party transactions distinguished 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 2010.

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

Karachi: March 05, 2011

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed statement of financial position of JS Bank Limited (the Bank) as at 31 December 2010 and the related profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement, 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 statement of financial position 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 changes in accounting policies 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 statement of financial position, profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement, 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 2010 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.

We draw attention to the following matters:

- (i) note 1.3 to the accompanying financial statements wherein it has been disclosed that the Bank has not met the minimum capital requirement as at 31 December 2010, as prescribed by the State Bank of Pakistan (SBP). However, the SBP has granted an in-principle approval of the Bank's plan, as more fully explained in the said note, subject to certain conditions; and
- (ii) notes 12.3.4 and 13.2 to the accompanying financial statements relating to goodwill and deferred tax asset. In respect of such assets, the management has carried out impairment assessment on the basis of financial projections for future years, as approved by the Board of Directors of the Bank, which take into account various assumptions regarding the future business and economic conditions, as more fully explained in the above referred notes. However, as disclosed in the said notes, a significant change in the assumptions used may impact the value of these assets recorded in the financial statements.

Our opinion is not qualified in respect of these matters.

Date: March 05, 2011
Karachi

Chartered Accountants
Audit Engagement Partner: Shabbir Yunus

STATEMENT OF FINANCIAL POSITION

As at December 31, 2010

December 31, 2010 December 31, 2009
----- Rupees in '000 -----

ASSETS

	Note	December 31, 2010	December 31, 2009
Cash and balances with treasury banks	7	2,298,806	1,764,403
Balances with other banks	8	917,802	2,073,582
Lendings to financial institutions	9	3,643,360	3,229,839
Investments	10	13,701,699	9,535,555
Advances	11	13,978,113	11,689,653
Operating fixed assets	12	2,882,941	3,039,329
Deferred tax assets	13	1,184,613	924,907
Other assets	14	776,313	637,652
		39,383,647	32,894,920

LIABILITIES

Bills payable	15	369,620	320,492
Borrowings	16	5,524,410	5,039,635
Deposits and other accounts	17	26,276,328	21,313,791
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	18	1,375,003	566,443
		33,545,361	27,240,361
		5,838,286	5,654,559

NET ASSETS

REPRESENTED BY

Share capital	19	8,149,715	6,127,605
Reserves		18,040	18,040
Discount on issue of right shares		(1,415,477)	-
Accumulated losses		(930,671)	(523,192)
		5,821,607	5,622,453
Surplus on revaluation of assets - net of tax	20	16,679	32,106
		5,838,286	5,654,559

CONTINGENCIES AND COMMITMENTS

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

Jahangir Siddiqui
Chairman

Kalim-ur-Rahman
President/Chief Executive

Ashraf Nawabi
Director

Mazharul Haq Siddiqui
Director

PROFIT AND LOSS ACCOUNT

For the year ended December 31, 2010

	Note	December 31, 2010	December 31, 2009
----- Rupees in '000 -----			
Mark-up / Return / Interest earned	23	3,299,767	2,527,295
Mark-up / Return / Interest expensed	24	2,255,014	1,806,709
Net Mark-up / Interest income		1,044,753	720,586
Provision against non-performing loans and advances - net	11.4	50,194	347,923
Provision for diminution in the value of investments	10.3	86,290	424,765
Bad debts written off directly		-	-
		136,484	772,688
Net Mark-up / Interest income after provisions		908,269	(52,102)
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income	25	196,215	132,198
Dividend income		22,483	26,282
Income from dealing in foreign currencies		60,667	89,455
Gain on sale of securities - net	26	48,838	90,009
Unrealised gain on revaluation of investments classified as held-for-trading		840	-
Other income		3,931	1,526
Total non-mark-up / interest income		332,974	339,470
		1,241,243	287,368
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	27	1,846,840	1,734,815
Other provisions / write offs		-	-
Fixed assets written off		16,267	-
Other charges	28	686	1,346
Total non-mark-up / interest expenses		1,863,793	1,736,161
		(622,550)	(1,448,793)
Extra ordinary / unusual items		-	-
LOSS BEFORE TAXATION		(622,550)	(1,448,793)
Taxation - Current	29	(36,327)	(14,334)
- Prior years		-	-
- Deferred		251,398	868,191
		215,071	853,857
LOSS AFTER TAXATION		(407,479)	(594,936)
Loss per share - basic and diluted	(Rupee)	(0.66)	(1.05)

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

Jahangir Siddiqui
Chairman

Kalim-ur-Rahman
President/Chief Executive

Ashraf Nawabi
Director

Mazharul Haq Siddiqui
Director

CASH FLOW STATEMENT

For the year ended December 31, 2010

	December 31, 2010	December 31, 2009
	----- Rupees in '000 -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(622,550)	(1,448,793)
Less: Dividend income	(22,483)	(26,282)
	<u>(645,033)</u>	<u>(1,475,075)</u>
Adjustments:		
Depreciation	223,178	175,152
Amortisation of intangible assets	15,479	55,210
Charge for defined benefit plan	21,721	19,223
Fixed assets written off	16,267	-
Provision against non-performing advances - net	50,194	347,923
Unrealised gain on revaluation of investments classified as held-for-trading	(840)	-
Provision for impairment in the value of investments	86,290	424,765
Other income	(3,931)	(1,526)
	<u>408,358</u>	<u>1,020,747</u>
	(236,675)	(454,328)
(Increase) / decrease in operating assets		
Lendings to financial institutions	(413,521)	(1,824,629)
Held for trading securities	(1,367,623)	19,884
Advances	(2,338,654)	(2,357,127)
Other assets	(160,105)	28,652
	<u>(4,279,903)</u>	<u>(4,133,220)</u>
Increase / (decrease) in operating liabilities		
Bills payable	49,128	192,570
Borrowings	493,577	4,492,150
Deposits	4,962,537	6,019,518
Other liabilities	786,839	155,105
	<u>6,292,081</u>	<u>10,859,343</u>
	2,012,178	6,726,123
Income tax paid	(14,883)	(3,251)
Net cash flow from operating activities (Balance c/f)	<u>1,760,620</u>	<u>6,268,544</u>

Jahangir Siddiqui
Chairman

Kalim-ur-Rahman
President/Chief Executive

Ashraf Nawabi
Director

Mazharul Haq Siddiqui
Director

	Note	December 31, 2010 ----- Rupees in '000 -----	December 31, 2009 -----
Net cash flow from operating activities (Balance b/f)		1,760,620	6,268,544
CASH FLOW FROM INVESTING ACTIVITIES			
Net investment in available-for-sale securities		(2,907,706)	(4,085,668)
Dividend income		22,483	26,282
Investment in operating fixed assets		(114,370)	(774,845)
Sale proceeds of property and equipment disposed-off		19,765	3,563
Net cash used in investing activities		(2,979,828)	(4,830,668)
CASH FLOW FROM FINANCING ACTIVITIES			
Issue of share capital		606,633	432,761
Net cash flow from financing activities		606,633	432,761
Effects of exchange rate changes on cash and cash equivalents		-	-
(Decrease) / increase in cash and cash equivalents		(612,575)	1,870,637
Cash and cash equivalents at beginning of the year		3,825,010	1,954,373
Cash and cash equivalents at end of the year	31	3,212,435	3,825,010

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

Jahangir Siddiqui
Chairman

Kalim-ur-Rahman
President/Chief Executive

Ashraf Nawabi
Director

Mazharul Haq Siddiqui
Director

STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2010

	December 31, 2010	December 31, 2009
	----- Rupees in '000 -----	
Loss for the year	(407,479)	(594,936)
Other comprehensive loss	-	-
Total comprehensive loss for the year	<u>(407,479)</u>	<u>(594,936)</u>

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

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

Jahangir Siddiqui
Chairman

Kalim-ur-Rahman
President/Chief Executive

Ashraf Nawabi
Director

Mazharul Haq Siddiqui
Director

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2010

	Issued, subscribed and paid-up share capital	Statutory reserve	Discount on issue of right shares	(Accumulated losses) / Unappropriated profit	Total
----- Rupees in '000 -----					
Balance as at January 01, 2009	5,694,844	18,040	-	71,744	5,784,628
Issue of ordinary shares of Rs.10 each against cash	432,761	-	-	-	432,761
Loss after taxation for the year ended December 31, 2009	-	-	-	(594,936)	(594,936)
Other comprehensive loss	-	-	-	-	-
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
Issue of right shares during the year	2,022,110	-	-	-	2,022,110
Discount on issue of right shares (refer note 19.2.1)	-	-	(1,415,477)	-	(1,415,477)
Loss after taxation for the year ended December 31, 2010	-	-	-	(407,479)	(407,479)
Other comprehensive loss	-	-	-	-	-
Total comprehensive loss for the year ended December 31, 2010	-	-	-	(407,479)	(407,479)
Balance as at December 31, 2010	8,149,715	18,040	(1,415,477)	(930,671)	5,821,607

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

Jahangir Siddiqui
Chairman

Kalim-ur-Rahman
President/Chief Executive

Ashraf Nawabi
Director

Mazharul Haq Siddiqui
Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

1. STATUS AND NATURE OF BUSINESS ■

1.1 JS Bank Limited (the Bank), incorporated in Pakistan, is a scheduled bank, engaged in commercial banking and related services. The Bank is listed on Karachi Stock Exchange in Pakistan. The Bank is a subsidiary of Jahangir Siddiqui & Company Limited (JSCL). The registered office of the Bank is situated at Shaheen Commercial Complex, Dr. Ziauddin Ahmed Road, Karachi and it operates with 126 (2009: 101) branches / sub-branches in Pakistan. The Pakistan Credit Rating Agency (Private) Limited (PACRA) has assigned the long term credit rating of the Bank 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.7 billion paid-up capital (free of losses) by the end of the financial year 2010. The paid-up capital (free of losses) of the Bank as at December 31, 2010 stood at Rs.5.804 billion.

Further, to meet the shortfall in the Minimum Capital Requirement of the State Bank of Pakistan (SBP), the Bank issued 202,210,965 right shares at a price of Rs.3 per share i.e. at a discount of Rs.7 per share, in October 2010, after obtaining all regulatory approvals. To meet the remaining shortfall, the Bank submitted a plan to the SBP in consultation with its legal counsel and financial advisors which envisaged the increase in Bank's paid-up capital through swap of new shares of the Bank against shares of a related party currently held by JSCL and other investors. In this connection, the SBP has granted an in-principle approval of the plan subject to certain conditions. The Bank is now in the process of completing procedural formalities and is hopeful that it will be able to meet the minimum capital requirement for the financial year end 2010 after the said plan is implemented.

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 Standards, interpretations and amendments to approved accounting standards that are 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)
IAS 32 - Financial Instruments: Presentation - Classification of Rights Issues (Amendment)	February 01, 2010
IAS 24 - Related party disclosures (Amendment)	January 01, 2011
IAS 12 - Income taxes: deferred tax amendment - Recognition of underlying assets	January 01, 2012
IFRIC 14 - IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Amendments)	January 01, 2011
IFRIC 19 - Extinguishing financial liabilities with equity instruments	July 01, 2010

The Bank expects that the adoption of the above revisions, amendments and interpretations of the standards will not affect the Bank's financial statements in the period of initial application.

In addition to the above, amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after January 01, 2011. 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);
- (e) recognition of taxation and deferred tax (note 6.11);
- (f) provisions (note 6.12);
- (g) accounting for post employment benefits (note 6.13);
- (h) goodwill (note 6.17); and
- (i) segment reporting (note 6.18)

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES ■

6.1 Change in accounting policy

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as follows:

The Bank has adopted the following new and amended IFRS and related interpretations which became effective during the year:

IFRS 2 - Share-based Payments: Amendments relating to Group Cash-settled Share-based Payment Transactions

IFRS 3 - Business Combinations (Revised)

IAS 27 - Consolidated and Separate Financial Statements (Amendment)

IFRIC 17 - Distributions of Non-cash Assets to owners

In May 2008 and April 2009, International Accounting Standards Board issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

Issued in May 2008

IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations

Issued in April 2009

IFRS 2 – Share-based Payments

IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations

IFRS 8 – Operating Segments

IAS 1 – Presentation of Financial Statements

IAS 7 – Statement of Cash Flows

IAS 17 – Leases

IAS 36 – Impairment of Assets

IAS 38 – Intangible Assets

IAS 39 – Financial Instruments: Recognition and measurement

IFRIC 9 – Reassessment of Embedded Derivatives

IFRIC 16 – Hedges of a Net Investment in a Foreign Operation

The adoption of the above standards, amendments / improvements and interpretations did not have a material effect on the financial statements.

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

Loan & 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.

Finance lease receivables

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

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, 2010, 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 126 (2009:101) 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 statement of financial Position.

7. CASH AND BALANCES WITH TREASURY BANKS ■

In hand

Local currency
Foreign currencies

Note
December 31,
2010
December 31,
2009
----- Rupees in '000 -----

507,599	342,911
122,310	113,686
629,909	456,597

With State Bank of Pakistan in

Local currency current account
Foreign currency accounts
- Cash reserve account - non remunerative
- Special cash reserve account - remunerative
- Local US dollar instruments collection and settlement account - remunerative

7.1

7.2

7.3

1,233,645	823,729
-	-
108,159	101,090
318,997	303,270
7,974	79,540
1,668,775	1,307,629

National Prize Bonds

122	177
2,298,806	1,764,403

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% (2009: 0%) per annum.

- 7.3** This represents mandatory reserve maintained to facilitate collection and settlement and to settle foreign currency accounts under FE-25, as prescribed by the SBP. Profit rates on this account are fixed on a monthly basis by the SBP. It carries profit at 0% (2009: 0%) per annum.

	Note	December 31, 2010	December 31, 2009
----- Rupees in '000 -----			

8. BALANCES WITH OTHER BANKS ■

In Pakistan

On current accounts		300,163	265,406
On deposit accounts	8.1	62	63
		300,225	265,469

Outside Pakistan

On current accounts		37,638	172,394
On deposit accounts	8.2	579,939	1,635,719
		617,577	1,808,113
		917,802	2,073,582

- 8.1** These carry mark-up at the rate of 0% (2009: 0%) per annum.

- 8.2** This represents term placements outside Pakistan, carrying interest rate at 2.75% (2009: 2.50%) per annum.

9. LENDINGS TO FINANCIAL INSTITUTIONS ■

Call money lendings	9.1 & 9.2	1,900,000	1,865,000
Lending to Financial Institutions	9.3	520,935	-
Repurchase agreement lendings (Reverse Repo)	9.4	1,222,425	1,364,839
		3,643,360	3,229,839

- 9.1** These represent unsecured call money lendings to financial institutions, carrying interest at the rates ranging between 13.15% and 14.84% (2009: 12.25% and 13.96%) per annum, with maturities up to March 2011.

- 9.2** Included herein is a sum of Rs.150.00 (2009: Rs.340.00) million due from a related party.

- 9.3** This represents secured lending to financial institutions, carrying interest at the rates ranging between 14.42% and 14.49% per annum.

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

9.5 Particulars of lendings

In local currency		3,643,360	3,229,839
In foreign currency		-	-
		3,643,360	3,229,839

9.6 Securities held as collateral against lendings to financial institutions

	Note	December 31, 2010		
		Held by bank	Further given as collateral	Total
----- Rupees in '000 -----				
Market Treasury Bills	9.6.1	1,072,425	-	1,072,425
Term Finance Certificate	9.6.2	150,000	-	150,000
		1,222,425	-	1,222,425

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

9.6.1 These have been purchased under resale agreements at rates ranging between 12.0% and 12.6% (2009: 11.0% and 12.4%) per annum with maturity upto January 2011. The fair value of the securities amounted to Rs.1,077.000 (2009: Rs.1,197.770) million as at December 31, 2010.

9.6.2 This has been purchased under resale agreement at a rate of 13.80% (2009: 13.95%) per annum with maturity in January 2011. The fair value of the security amounted to Rs.150.000 (2009: Rs.91.646) million as at December 31, 2010.

10. INVESTMENTS ■

December 31, 2010			
	Held by bank	Given as collateral	
		----- Rupees in '000 -----	
			Total

10.1 Investments by type

Held-for-trading securities

Market Treasury Bills	1,198,883	-	1,198,883
Pakistan Investment Bonds	168,740	-	168,740
	<u>1,367,623</u>	<u>-</u>	<u>1,367,623</u>

Available-for-sale securities

Market Treasury Bills	5,053,931	3,933,888	8,987,819
Pakistan Investment Bonds	486,051	-	486,051
Ordinary shares of listed companies	190,091	-	190,091
Preference shares of listed company	95,503	-	95,503
Term Finance Certificates-listed	1,193,711	-	1,193,711
Term Finance Certificates-unlisted	915,671	-	915,671
Sukuk Certificates-unlisted	295,314	-	295,314
Closed end mutual funds	126,506	-	126,506
Open end mutual funds	193,646	-	193,646
US dollar bonds	116,709	-	116,709
	<u>8,667,133</u>	<u>3,933,888</u>	<u>12,601,021</u>
Total investments at cost	10,034,756	3,933,888	13,968,644
Less: Provision for diminution in value of investments	(293,444)	-	(293,444)
Investments (net of provision)	9,741,312	3,933,888	13,675,200
Surplus on revaluation of Held for trading securities	840	-	840
Surplus / (deficit) on revaluation of available-for-sale securities	36,491	(10,832)	25,659
Total investments at market value	9,778,643	3,923,056	13,701,699

December 31, 2009

10.1 Investments by type**Available for sale securities**

	Held by bank	given as collateral	Total
	----- Rupees in '000 -----		
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
	<u>6,376,562</u>	<u>3,404,255</u>	<u>9,780,817</u>
Total investments at cost	<u>6,376,562</u>	<u>3,404,255</u>	<u>9,780,817</u>
Less: Provision for diminution in value of investments	(294,656)	-	(294,656)
Investments (net of provision)	<u>6,081,906</u>	<u>3,404,255</u>	<u>9,486,161</u>
Surplus on revaluation of available for sale securities	48,070	1,324	49,394
Total investments at market value	<u>6,129,976</u>	<u>3,405,579</u>	<u>9,535,555</u>

10.2 Investments by Segments**Federal Government Securities:**

	Note	December 31, 2010	December 31, 2009
		----- Rupees in '000 -----	
Market Treasury Bills	10.2.1	10,186,702	5,347,067
Pakistan Investment Bonds	10.2.2	654,791	1,226,752

Fully Paid Ordinary Shares

Listed companies	10.2.3	190,091	668,558
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Fully Paid Preference Shares

Listed company	10.2.4	95,503	95,503
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Term Finance Certificates

Term Finance Certificates – listed	10.2.5	1,193,711	1,217,718
Term Finance Certificates – unlisted	10.2.6	915,671	506,540
Sukuk Certificates	10.2.7	295,314	158,330

Mutual Funds

Closed end mutual funds	10.2.8	126,506	321,511
Open end mutual funds	10.2.9	193,646	122,606
Investment in US Dollar Bonds	10.2.10	116,709	116,232

Total investments at cost

		<u>13,968,644</u>	<u>9,780,817</u>
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Less: Provision for diminution in value of investments	10.3	<u>(293,444)</u>	<u>(294,656)</u>
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Investments (net of provisions)

Surplus on revaluation of held for trading securities		840	-
Surplus on revaluation of available for sale securities		25,659	49,394

Total investments at market value

	<u>13,701,699</u>	<u>9,535,555</u>
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10.2.1 Market treasury bills are for a period of three to twelve months and carry a yield of 11.93% to 13.21% (2009: 11.44% to 13.16%) per annum with maturity up to June 2011. 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 10.22% and 14.33% (2009: 9.60% and 12.50%) per annum with a maximum remaining term of 10 years (2009: 14 years).

10.2.3 Details of investment in Ordinary shares - listed

	No. of shares of Rs.10 each	No. of shares of Rs.10 each	Total paid up value	Cost	Cost	Market value	Market value
	2010	2009		2010	2009	2010	2009
----- Rupees in '000 -----							
Available-for-sale securities							
Azgard Nine Limited							
- a related party	-	3,120,000	-	-	96,036	-	64,865
ICI Pakistan Limited	1,100,000	1,241,000	11,000	190,091	214,456	158,664	209,096
Lucky Cement Limited							
- a related party	-	787,667	-	-	65,353	-	52,175
Nishat Mills Limited	-	3,000,000	-	-	199,788	-	209,700
Pakistan Oilfields Limited	-	401,709	-	-	92,925	-	92,702
				190,091	668,558	158,664	628,538

10.2.4 Details of investment in preference shares - listed

	No. of shares of Rs.10 each	No. of shares of Rs.10 each	Total paid up value	Cost	Cost	Market value	Market value
	2010	2009		2010	2009	2010	2009
----- Rupees in '000 -----							
Available-for-sale securities							
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	33,393	93,499
				95,503	95,503	33,393	93,499

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		Rating	Cost		Market	Market
	2010	2009		2010	2009	value	value
----- Rupees in '000 -----							
Available-for-sale securities							
Askari Bank Limited - 1st Issue	6,080	2,700	AA-	30,236	13,476	30,163	13,009
Askari Bank Limited - 3rd Issue	15,736	21,736	AA-	78,649	108,680	79,828	105,808
Bank Alfalah Limited	19,000	20,000	AA-	94,781	99,808	93,681	97,594
Faysal Bank Limited	3,090	-	AA-	11,547	-	11,505	-
Standard Chartered Bank Pakistan Limited -2nd Issue	135	135	AA	168	455	169	462
Engro Fertilizer Limited - 1st Issue	31,780	31,750	AA	158,700	158,623	155,567	147,519
Engro Fertilizer Limited - 3rd Issue	42,814	49,785	AA	213,984	248,925	215,308	248,925
Faysal Bank Limited	2,341	3,341	AA-	11,691	16,692	11,338	15,954
NIB Bank Limited	25,798	24,998	A+	124,172	114,155	125,434	114,644
Pak Arab Fertilizer Limited - 2nd Issue	39,950	37,550	AA	186,789	186,434	182,132	176,187
Pakistan Mobile Communication Limited	39,260	27,700	AA-	158,343	128,336	163,292	138,703
World Call Telecommunication Limited	5,000	-	A	7,580	-	8,280	-
Allied Bank Limited - 2nd Issue	9,000	9,000	AA-	44,982	45,000	43,272	40,275
Orix Leasing Pakistan Limited (face value of Rs.100,000 each)	-	2,000	AA+	-	7,869	-	8,362
United Bank Limited - 2nd Issue unsecured	15,317	20,006	AA	72,089	89,265	67,091	86,099
				1,193,711	1,217,718	1,187,060	1,193,541

* 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	Repayment frequency	Profit		Maturity Date
		Rate per annum		
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
Faysal Bank Limited	Semi-annually	6 months KIBOR ask rate plus 1.90%		February 10, 2013
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 Fertilizer Limited 1st Issue	Semi-annually	6 Months KIBOR ask rate plus 1.55%		November 30, 2015
Engro Fertilizer Limited 3rd Issue	Semi-annually	6 Months KIBOR ask rate plus 2.40%		December 17, 2016
Faysal Bank Limited	Semi-annually	6 months KIBOR ask rate plus 1.40%		November 12, 2014
NIB Bank Limited	Semi-annually	6 months KIBOR ask rate plus 1.15%		March 05, 2016
Pak Arab Fertilizer Limited - 2nd issue	Semi-annually	6 months KIBOR ask rate plus 1.50%		February 28, 2013
Pakistan Mobile Communication Limited	Semi-annually	6 months KIBOR ask rate plus 2.85%		May 31, 2013
World Call Telecommunication Limited	Semi-annually	6 months KIBOR ask rate plus 2.75%		November 28, 2011
Allied Bank Limited - 2nd Issue	Semi-annually	6 months KIBOR ask rate plus 0.85% (for 5 Years)		August 28, 2019
United Bank Limited - 2nd Issue	Semi-annually	Fixed 9.49%		March 15, 2013

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

Name of the company	No. of Certificates		Rating	Face value per certificate Rupees	Cost	
	2010	2009			2010	2009
	----- Rupees in '000 -----					
Bank Alfalah Limited	10,000	-	AA-	5,000	50,479	-
KASB Securities Ltd.	14,000	-	AA-	5,000	66,013	-
First Dawood Investment Bank Limited *	-	10,000	N/A	5,000	-	50,000
Orix Leasing Pakistan Limited	3,145	1,500	AA	100,000	249,419	144,250
Nishat Chunian Ltd. *	50,000	-	N/A	5,000	250,000	-
Trakker (Private) Limited	-	250	A	100,000	-	12,500
Related parties						
Azgard Nine Limited	30,000	30,000	CCC	5,000	149,880	149,910
Agritech Limited [formerly known as Pak American Fertilizers Limited]	30,000	30,000	CCC	5,000	149,880	149,880
					915,671	506,540

* 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	Profit		Maturity Date
	Repayment frequency	Rate per annum	
Bank Alfalah Limited (Chief Executive: Mr. Sirajuddin Aziz)	Semi-annually	6 month KIBOR ask rate plus 2.50 %.	December 02, 2017
KASB Securities Limited (Chief Executive: Mr. Farrukh. H. Sabzwari)	Semi-annually	6 month KIBOR ask rate plus 1.90 %.	June 27, 2012
Orix Leasing Pakistan Limited (Chief Executive: Mr. Humayun Murad)	Semi-annually	6 month KIBOR ask rate plus 1.20%.	January 15, 2013
Nishat Chunian Limited (Chief Executive: Mr. Shahzad Saleem)	Quarterly	3 month KIBOR ask rate plus 2.25%.	September 30, 2015
Related Parties			
Azgard Nine Limited (Chief Executive: Mr. Ahmed H. Shaikh)	Semi-annually	6 Months KIBOR ask rate plus 2.25%.	December 04, 2014
Agritech Limited [formerly known as Pak American Fertilizers Limited] (Chief Executive: Mr. Jaudet Bilal)	Semi-annually	6 month KIBOR ask rate plus 1.75%.	November 29, 2014

10.2.7 Sukuk Certificates - unlisted

Name of the company	No. of Certificates		Rating	Face value per certificate (Rupees)	Cost	
	2010	2009			2010	2009
	Rupees in '000					
Available-for-sale securities						
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	71,250	95,000
Century Paper & Board Mills Ltd.	54,950	-	A+	5,000	209,064	-
Sui Southern Gas Co. Limited	-	10,200	AA	5,000	-	48,330
					295,314	158,330

10.2.7.1 Other particulars of Sukuk Certificates are as follows:

Name of the Company	Repayment frequency	Profit		Maturity Date
		Rate per annum		
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
Century Paper & Board Mills Ltd.	Semi-annually	6 months KIBOR ask rate plus 1.35%		September 25, 2014

10.2.8 Closed End Mutual Funds

Fund	No. of Certificates		Rating	Face value for certificate (Rupees)	Cost		Market value 2010	Market value 2009
	2010	2009			2010	2009		
Available-for-sale								
First Dawood Mutual Fund	3,350,050	3,519,809	3-Star	10	26,805	28,164	6,700	5,948
JS Value Fund - a related party	8,745,668	8,745,668	5-Star	10	99,701	99,701	41,717	49,151
JS Large Cap. Fund - a related party	-	24,205,790	N/A	10	-	193,646	-	111,347
					126,506	321,511	48,417	166,446

10.2.9 Open End Mutual Funds

Fund	No. of Certificates		Rating	Net asset value per unit (Rupees)	Cost		Market value 2010	Market value 2009
	2010	2009			2010	2009		
Available-for-sale								
Crosby Dragon Fund	-	746,154	3-Star	107.92	-	122,606	-	80,525
JS Large Cap. Fund - a related party	2,420,579	-	N/A	65.15	193,646	-	157,701	-
					193,646	122,606	157,701	80,525

10.2.10 US Dollar Bonds

These are for a period of five years and carry a yield ranging between 2.95% and 3.90% (2009: 2.95% and 4.31%) per annum having market value of USD 1.381 (2009: USD 1.371) million with maturity upto November 2012.

10.3 Particulars of provision for diminution in value of investments	December 31, 2010	December 31, 2009
		----- Rupees in '000 -----
Opening balance	294,656	-
Charge for the year	86,290	424,765
Reversal on disposal of investments	(87,502)	(130,109)
Closing balance	293,444	294,656

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

Available for sale	December 31, 2010	December 31, 2009
Ordinary shares of listed companies	59,675	44,349
Preference shares of listed company	62,110	53,161
Closed end mutual funds	89,359	155,065
Open end mutual funds	82,300	42,081
	293,444	294,656

11. ADVANCES

	Note	December 31, 2010 ----- Rupees in '000 -----	December 31, 2009
Loans, cash credit, running finances, etc.			
In Pakistan		14,003,773	11,100,389
Outside Pakistan		270,391	-
		14,274,164	11,100,389
Net investment in finance lease			
In Pakistan	11.2	108,783	-
Outside Pakistan		-	-
		108,783	-
Bills discounted and purchased (excluding treasury bills)			
payable in Pakistan		120,668	1,060,996
payable outside Pakistan		1,922	5,835
		122,590	1,066,831
Financing in respect of continuous funding system		-	-
Advances - gross		14,505,537	12,167,220
Provision for non-performing advances - specific	11.3	(525,364)	(473,082)
Provision for non-performing advances - general	11.4	(2,060)	(4,485)
		(527,424)	(477,567)
Advances - net of provision		13,978,113	11,689,653

11.1 Particulars of advances (gross)

11.1.1	In local currency	14,233,224	12,161,385
	In foreign currency	272,313	5,835
		14,505,537	12,167,220
11.1.2	Short term (for upto one year)	11,129,105	9,985,714
	Long term (for over one year)	3,376,432	2,181,506
		14,505,537	12,167,220

11.2 Particulars of net investment in finance lease

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

11.3 Advances include Rs.1,902.566 (2009: Rs.857.059) million which have been placed under non-performing status as detailed below:

Category of Classification

	December 31, 2010			Provision required	Provision held
	Domestic	Overseas	Total		
	----- Rupees in '000 -----				
Other assets especially mentioned	-	-	-	-	-
Substandard	410,458	-	410,458	365	365
Doubtful	561,516	-	561,516	6,083	6,083
Loss	930,592	-	930,592	518,916	518,916
	1,902,566	-	1,902,566	525,364	525,364

Category of Classification

	December 31, 2009			Provision required	Provision held
	Domestic	Overseas	Total		
	----- 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
	<u>857,059</u>	<u>-</u>	<u>857,059</u>	<u>473,082</u>	<u>473,082</u>

11.3.1 The total classified advances pertaining to related parties as at December 31, 2010 amounted to Rs.995.27 (2009: Rs.166.26) million.

11.4 Particulars of provision against non-performing advances

	December 31, 2010			December 31, 2009		
	Specific	General	Total	Specific	General	Total
	----- Rupees in '000 -----			----- Rupees in '000 -----		
Opening balance	473,082	4,485	477,567	122,085	7,559	129,644
Charge for the year	141,463	-	141,463	364,622	-	364,622
Amounts written off	-	-	-	-	-	-
Reversals (note 11.4.1)	(88,844)	(2,425)	(91,269)	(13,625)	(3,074)	(16,699)
	<u>52,619</u>	<u>(2,425)</u>	<u>50,194</u>	<u>350,997</u>	<u>(3,074)</u>	<u>347,923</u>
Amount written off from the opening balance	(337)	-	(337)	-	-	-
Closing Balance	<u>525,364</u>	<u>2,060</u>	<u>527,424</u>	<u>473,082</u>	<u>4,485</u>	<u>477,567</u>
	December 31, 2010			December 31, 2009		
	Specific	General	Total	Specific	General	Total
	----- Rupees in '000 -----			----- Rupees in '000 -----		
In local currency	525,364	2,060	527,424	473,082	4,485	477,567
In foreign currencies	-	-	-	-	-	-
	<u>525,364</u>	<u>2,060</u>	<u>527,424</u>	<u>473,082</u>	<u>4,485</u>	<u>477,567</u>

11.4.1 Included herein is a sum of Rs.86.673 (2009: Rs.Nil) million reversed on receipt of cash from a related party.

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

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

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to a person during the year ended December 31, 2010 is given in Annexure 'A' to these financial statements. These loans are written off as a book entry without prejudice to the Bank's right of recovery against the customers.

11.6 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:

	December 31, 2010	December 31, 2009
	----- Rupees in '000 -----	
Balance at the beginning of the year	219,982	180,193
Loans granted during the year	142,298	112,566
Repayments	(111,935)	(72,777)
Balance at the end of the year	<u>250,345</u>	<u>219,982</u>

12. OPERATING FIXED ASSETS

	Note	December 31, 2010	December 31, 2009
----- Rupees in '000 -----			
Capital work-in-progress	12.1	8,863	41,976
Property and equipment	12.2	1,273,932	1,385,635
Intangible assets	12.3	1,600,146	1,611,718
		<u>2,882,941</u>	<u>3,039,329</u>

12.1 Capital work-in-progress

Property and equipment

Civil works	-	17,492
Advance for purchase of vehicles	-	-
Advance for purchase of equipments	8,863	22,057

Intangible

Computer software	-	2,427
	<u>8,863</u>	<u>41,976</u>

12.2 Property and equipment

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

	COST			ACCUMULATED DEPRECIATION				Book value as at December 31, 2009	Rate %	
	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	As at For the year			December 31, 2009
----- Rupees in '000 -----										
Building on free hold land	-	55,478	-	55,478	-	-	225	225	55,253	1.01 - 10.0
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 equipment	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
	<u>1,059,409</u>	<u>698,563</u>	<u>(19,442)</u>	<u>1,738,530</u>	<u>195,148</u>	<u>(17,405)</u>	<u>175,152</u>	<u>352,895</u>	<u>1,385,635</u>	

12.2.1 Included in cost of property and equipment are fully depreciated items still in use having cost of Rs.96.609 (2009: Rs.68.264) 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 -----							
Vehicles							
Honda civic	1,376	871	505	1,403	898	Negotiation	Network Microfinance Bank, a related party
Honda civic	1,158	1,158	-	925	925	Negotiation	Rabbani Motors, Karachi
Toyota corolla	1,319	528	791	1,389	598	Insurance Claim	EFU General Insurance, a related party
Honda civic	1,859	651	1,208	1,775	567	Insurance Claim	EFU General Insurance, a related party
Honda accord	4,716	1,808	2,908	3,807	899	Negotiation	Midway Motors, Karachi
Furniture and fixture							
Furniture	702	76	626	110	(516)	Negotiation	Akram Thekedar, Lahore
Furniture	901	188	713	205	(508)	Negotiation	Farhan & Company, Karachi
Furniture	483	86	397	72	(325)	Negotiation	Usama Steel Works, Karachi
Furniture	1,589	233	1,356	335	(1,021)	Negotiation	Al Karam House Hold Limited, Karachi
Electrical, office and Computer equipment							
Generator	1,425	327	1,098	1,380	282	Negotiation	Agrow (Private) Limited, Karachi
Computers	1,428	1,428	-	24	24	Negotiation	Usama Steel Works, Karachi

12.3 Intangible assets

Note	COST			ACCUMULATED AMORTIZATION / IMPAIRMENT				Book value as at December 31, 2010	Rate %
	As at January 1, 2010	Additions Disposals	As at December 31, 2010	As at January 1, 2010	On disposals	For the year	As at December 31, 2010		
	Rupees in '000								
Stock exchange card	21,000	(10,000)*	11,000	-	-	-	-	11,000	
Computer software	146,687	13,907	160,594	19,593	-	15,479	35,072	125,522	10
Goodwill	1,463,624	-	1,463,624	-	-	-	-	1,463,624	-
	<u>1,631,311</u>	<u>13,907</u>	<u>1,635,218</u>	<u>19,593</u>	<u>-</u>	<u>15,479</u>	<u>35,072</u>	<u>1,600,146</u>	

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

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 During the year, the Bank entered into a sub-lease agreement with the Islamabad Stock Exchange. Accordingly, the room (building on lease hold land) has been reclassified into tangible fixed assets.

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

12.3.4 Key assumptions used in value in use calculation

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

	<u>2010</u>	<u>2009</u>
Pre-tax discount rate	25.9%	23.6%
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 any significant change in the key assumptions, on which the CGU's recoverable amount is based, may impact the carrying amount to further exceed its recoverable amount. Value in use calculations of the CGU are sensitive to changes in assumptions for interest rate spreads, Non Funded Income (NFI), long term growth rates and discount rates. The impairment impact of a change in these assumptions is shown below:

Impact of impairment		
20% reduction in spread and treasury NFI	1% reduction in long term growth rates	1% increase in discount rates
<u>(56,945)</u>	<u>(189,721)</u>	<u>(303,853)</u>

	Note	December 31, 2010	December 31, 2009
----- Rupees in '000 -----			
13. DEFERRED TAX ASSETS ■			
Deferred tax debits arising from:			
Unused tax losses	13.1	1,310,758	1,078,906
Provision against investments and loans		231,692	182,317
Deferred cost		471	943
Deferred tax credits arising due to:			
Fixed assets		(144,280)	(166,150)
Goodwill		(205,048)	(153,821)
Surplus on revaluation of assets		(8,980)	(17,288)
		<u>1,184,613</u>	<u>924,907</u>

13.1 Included herein is a sum of Rs.5.989 (2009: Rs.5.989) million and Rs.390.988 (2009: 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 realise these tax losses in the future.

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

	December 31, 2010	December 31, 2009
----- Rupees in '000 -----		
14. OTHER ASSETS ■		
Income / mark-up accrued in local currency	501,783	425,227
Income / mark-up accrued in foreign currency	1,479	1,403
Advances, deposits, advance rent and other prepayments	133,904	113,333
Taxation (payments less provision)	58,976	80,420
Receivable against bancaassurance from a related party	10,798	5,238
Stationery and stamps on hand	1,459	533
Prepaid exchange risk fee	391	448
Trustee fee receivable from a related party	-	152
Unrealised gain on forward foreign exchange contracts - net	4,978	2,227
Receivable from other banks in respect of remittance	55,019	3,709
Others	7,526	4,962
	<u>776,313</u>	<u>637,652</u>

	December 31, 2010	December 31, 2009
15. BILLS PAYABLE ■		
In Pakistan	364,197	312,529
Outside Pakistan	5,423	7,963
	<u>369,620</u>	<u>320,492</u>

16. BORROWINGS ■

	Note	December 31, 2010	December 31, 2009
----- Rupees in '000 -----			
In Pakistan		5,520,237	5,026,660
Outside Pakistan		4,173	12,975
		5,524,410	5,039,635
16.1 Particulars of borrowings with respect to Currencies			
In local currency		5,520,237	5,026,660
In foreign currencies		4,173	12,975
		5,524,410	5,039,635
16.2 Details of borrowings from financial institutions			
Secured			
Borrowing from SBP under export refinancing scheme	16.2.1	1,237,017	792,249
Repurchase agreement borrowings	16.2.2	3,883,220	3,394,411
		5,120,237	4,186,660
Unsecured			
Call borrowings	16.2.3	400,000	840,000
Overdrawn nostro accounts	16.2.4	4,173	12,975
		404,173	852,975
		5,524,410	5,039,635

16.2.1 The Bank has entered into agreement with the State Bank of Pakistan (SBP) for extending export finance to customers. As per the terms of the agreement, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of finances by directly debiting the current account maintained by the Bank with SBP. These borrowings are repayable on a quarterly basis and carry mark-up at the rate ranging between 9% and 10% (2009: 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 12.70% and 13.10% (2009: 11.92% and 12.40%) per annum and would mature in March 2011 (2009: January 2010).

16.2.3 These represent call money borrowings from financial institutions, carrying interest at the rates ranging between 12.25% and 13.35% (2009: 11.90% and 12.70%) per annum, with maturities up to March 2011.

16.2.4 This represents borrowings of Rs.4.173 (2009: Rs.12.975) million from Commercial Banks, outside Pakistan.

17. DEPOSITS AND OTHER ACCOUNTS ■

	December 31, 2010	December 31, 2009
----- Rupees in '000 -----		
Customers		
Fixed deposits	8,728,524	9,173,400
Savings deposits	8,097,181	5,645,387
Current accounts - non-remunerative	6,896,222	4,832,167
Margin account	47,131	48,505
	23,769,058	19,699,459
Financial Institutions		
Remunerative deposits	2,444,461	1,532,365
Non-remunerative deposits	62,809	81,967
	2,507,270	1,614,332
	26,276,328	21,313,791
17.1 Particulars of deposits		
In local currency	24,029,657	19,450,027
In foreign currencies	2,246,671	1,863,764
	26,276,328	21,313,791

18. OTHER LIABILITIES ■

	Note	December 31, 2010 ----- Rupees in '000 -----	December 31, 2009
Mark-up / return / interest payable in local currency		390,276	229,996
Mark-up / return / interest payable in foreign currency		1,456	2,216
Accrued expenses	18.1	144,012	129,077
Payable in respect of defined benefit plan	33	58,009	36,288
Payable against capital expenditure		20,822	59,957
Customer insurance payable		6,357	12,293
Payable against purchase of marketable securities		683,163	46,286
Unclaimed dividends		4,274	4,277
Government duties		9,333	8,240
Lease key money deposit		9,102	-
Payable against remittance		21,038	-
Others		27,161	37,813
		<u>1,375,003</u>	<u>566,443</u>

18.1 Included herein is a sum of Rs.1.099 (2009: Rs.0.102) million payable to related parties.

19. SHARE CAPITAL ■

19.1 Authorized Capital

December 31, 2010 ----- Number of shares -----	December 31, 2009		December 31, 2010 ----- Rupees in '000 -----	December 31, 2009
<u>1,200,000,000</u>	<u>1,200,000,000</u>	Ordinary shares of Rs.10 each	<u>12,000,000</u>	<u>12,000,000</u>

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

December 31, 2010 ----- Number of shares -----	December 31, 2009		December 31, 2010 ----- Rupees in '000 -----	December 31, 2009
538,558,965	336,348,000	Issued for cash	5,385,590	3,363,480
276,412,500	276,412,500	Issued for consideration other than cash	2,764,125	2,764,125
<u>814,971,465</u>	<u>612,760,500</u>		<u>8,149,715</u>	<u>6,127,605</u>

19.2.1 During the previous year, the Board of Directors of the Bank in the meeting held on June 30, 2010 and the shareholders of the Bank in the extraordinary general meeting held on July 23, 2010 have approved issuance of 33% right shares at a price of Rs.3 per share (discount of Rs.7 per share) i.e. Rs.606,632,895 (202,210,965 shares). After obtaining all regulatory approvals, last date for subscription of right shares was fixed on October 20, 2010. Accordingly, the allotment of 202,210,965 right shares was made on November 15 and 16, 2010.

19.2.2 JSCL held 525,566,192 (2009: 395,162,551) Ordinary shares of Rs.10 each as at December 31, 2010 representing 64.49% (2009: 64.49%) holding.

19.2.3 Also refer note 1.3.

20. SURPLUS ON REVALUATION OF ASSETS - net of tax ■

December 31,
2010
----- Rupees in '000 -----

December 31,
2009

Surplus / (deficit) arising on revaluation of available-for-sale securities:

Term Finance Certificates - listed	(6,651)	(24,177)
Ordinary shares - listed	28,248	4,329
Preference shares - listed	-	51,157
Closed end mutual funds	11,270	-
Open end mutual funds	46,355	-
US dollar bonds	1,598	(675)
Government Securities	(55,161)	18,760
	<u>25,659</u>	<u>49,394</u>
Less: Related deferred tax asset liability	(8,980)	(17,288)
	<u>16,679</u>	<u>32,106</u>

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	540,390	321,368
ii) Banking companies and other financial institutions	16,493	19,660
ii) Others	548,175	626,217
	<u>1,105,058</u>	<u>967,245</u>

21.2 Trade-related Contingent Liabilities

Documentary credits	<u>1,588,191</u>	<u>1,772,874</u>
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21.3 Other Contingencies

Claims not acknowledged as debts	<u>66,481</u>	<u>66,435</u>
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21.4 Commitments in respect of forward exchange contracts

Purchase	<u>2,874,196</u>	<u>3,018,450</u>
Sale	<u>1,815,855</u>	<u>4,285,469</u>

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

21.5 Commitments in respect of forward lending

Forward commitments to extend credit	<u>434,000</u>	<u>-</u>
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21.6 Other Commitments

Forward commitments in respect of sale of PIBs	<u>-</u>	<u>160,836</u>
Forward commitments in respect of purchase of PIBs	<u>-</u>	<u>27,514</u>
Commitment in respect of capital expenditure	<u>14,993</u>	<u>101,610</u>

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.

23. MARK-UP / RETURN / INTEREST EARNED ■

	December 31, 2010	December 31, 2009
	----- Rupees in '000 -----	
On loans and advances to:		
Customers	1,433,974	1,422,136
Financial Institutions	226,106	126,247
On investments in:		
Available-for-sale securities	1,386,419	889,959
Held-for-trading securities	3,956	7,967
On deposits with financial institutions	8	91
On securities purchased under resale agreements	249,304	80,895
	<u>3,299,767</u>	<u>2,527,295</u>

24. MARK-UP / RETURN / INTEREST EXPENSED ■

Deposits	1,597,987	1,420,481
Securities sold under repurchase agreements	452,259	227,632
Borrowings	204,768	158,596
	<u>2,255,014</u>	<u>1,806,709</u>

25. FEE, COMMISSION AND BROKERAGE INCOME ■

Advisory fee	4,360	14,289
Trustee fee	2,513	5,572
Other fees, commission and charges	189,342	112,337
	<u>196,215</u>	<u>132,198</u>

26. GAIN ON SALE OF SECURITIES - net ■

Federal Government Securities		
- Treasury Bills	4,254	19,345
- Pakistan Investment Bonds	28,259	92,822
Ordinary shares - listed	(20,509)	(17,260)
Term Finance Certificates	18,667	12,348
US Dollar Bonds	2,261	-
Mutual Fund Units / Certificates	15,906	(17,246)
	<u>48,838</u>	<u>90,009</u>

26.1 Included herein a sum of Rs.0.60 (2009: Rs.12.08) million representing loss arising on sale of shares of a related party.

	December 31, 2010	December 31, 2009
	----- Rupees in '000 -----	
27. ADMINISTRATIVE EXPENSES		
Salaries, wages, allowances, etc.	645,610	592,601
Charge for defined benefit plan	21,721	19,223
Contribution to defined contribution plan	31,169	25,470
Non-executive directors' fee, allowances and other expenses	300	375
Contractor wages	74,661	71,274
Brokerage, fee and commission	14,153	18,190
Rent, taxes, insurance, electricity, etc.	333,074	279,212
Legal and professional charges	6,531	18,020
Communication	75,309	93,643
Repairs and maintenance	149,061	123,903
Travel and other related expenses	9,564	12,945
Stationery and printing	37,835	41,516
Advertisement and publicity	33,416	63,853
Postage and courier service	10,103	8,622
Stamp duty	1,701	9,732
CDC and other charges	1,443	2,523
Bank charges and clearing house charges	17,872	11,357
Consultancy fee	28,616	22,814
Security services	44,059	37,476
Fees and subscription	26,146	12,566
Auditors' remuneration	27.1 4,666	8,303
Depreciation	12.2 223,178	175,152
Amortisation of intangible assets	12.3 15,479	55,210
Staff training	1,001	7,683
Others	40,172	23,152
	<u>1,846,840</u>	<u>1,734,815</u>

27.1 Auditors' Remuneration

Audit fee	1,000	1,000
Half-yearly review	400	400
Special certification and miscellaneous services	2,930	6,737
Out of pocket expenses	336	166
	<u>4,666</u>	<u>8,303</u>

28. OTHER CHARGES

Penalties imposed by State Bank of Pakistan	<u>686</u>	<u>1,346</u>
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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, 2008 and 2009 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, December 31,
2010 2009
----- Rupees in '000 -----

30. LOSS PER SHARE - BASIC AND DILUTED ■

Loss for the year after taxation		<u>(407,479)</u>	<u>(594,936)</u>
Weighted average number of Ordinary shares outstanding during the year	(Number)	<u>620,476,609</u>	<u>564,919,813</u>
Loss per share - basic and diluted	(Rupee)	<u>(0.66)</u>	<u>(1.05)</u>

There is no dilution effect on basic earnings per share.

31. CASH AND CASH EQUIVALENTS ■

Cash and balances with treasury banks	2,298,806	1,764,403
Balances with other banks	917,802	2,073,582
Overdrawn nostro account	<u>(4,173)</u>	<u>(12,975)</u>
	<u>3,212,435</u>	<u>3,825,010</u>

32. STAFF STRENGTH ■

	----- Number -----	
Permanent	830	820
Temporary / on contractual basis	13	8
Bank own staff strength at the end of the year	<u>843</u>	<u>828</u>
Outsourced	412	372
	<u>1,255</u>	<u>1,200</u>

33. DEFINED BENEFIT PLAN ■

33.1 General description

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

33.2 Number of employees under the schemes

The number of employees covered under the following defined benefit scheme is 830 (2009: 820).

33.3 Principal actuarial assumptions

The actuarial valuations were carried out on December 31, 2010 based on the Projected Unit Credit Method, using the following significant assumptions:

	<u>December 31, 2010</u>	<u>December 31, 2009</u>	<u>Source of estimation</u>
Discount rate	14%	14%	Yield on government bonds
Expected rate of salary increase	14%	14%	Linked to seniority, promotion, future salary increase and supply and demand in employment market

	December 31, 2010	December 31, 2009	
	----- Rupees in '000 -----		
33.4 Reconciliation of payable to defined benefit plan			
Present value of defined benefit obligation	49,634	36,247	
Net actuarial losses not recognized	8,860	1,012	
Unrecognised transitional liability	(485)	(971)	
	<u>58,009</u>	<u>36,288</u>	
33.5 Movement in payable to defined benefit plan			
Opening net liability	36,288	17,065	
Expense for the year	21,721	19,223	
Benefits paid to employees	-	-	
Closing net liability	<u>58,009</u>	<u>36,288</u>	
33.6 Charge for defined benefit plan			
Current service cost	15,224	15,851	
Interest cost	6,012	2,886	
Transitional liability recognised	485	486	
	<u>21,721</u>	<u>19,223</u>	
33.7 Three year data on plans and experience adjustments	December 31, 2010	December 31, 2009	December 31, 2008
	----- Rupees in '000 -----		
Present value of defined benefit obligation	49,634	36,247	19,242
Experience adjustment on obligation - gain / (loss)	7,848	1,732	(141)
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 830 (2009: 820). During the year, employees made a contribution of Rs.31.169 (2009: Rs.25.470) million to the fund. The Bank has also made a contribution of equal amount to the fund.

35. COMPENSATION OF DIRECTORS AND EXECUTIVES ■

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

Note	2010			
	President	Directors	Executives	Total
	----- Rupees in 000' -----			
Managerial remuneration	8,620	6,194	178,161	192,975
Defined contribution plan	540	619	15,098	16,257
Charge for defined benefit plan	451	514	14,734	15,699
Rent and house maintenance	3,879	2,787	80,173	86,839
Utilities	862	619	17,816	19,297
Medical	21	19	2,829	2,869
Conveyance and vehicle maintenance	415	391	26,453	27,259
Bonus	-	1,600	22,290	23,890
	14,788	12,743	357,554	385,085
Number of persons	35.2	2	1	190
			190	192
	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
			142	144

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

35.2 The remuneration of the President includes the remuneration of the outgoing President. The new President was appointed with effect from July 31, 2010.

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, 2010	Corporate finance	Trading & sales	Retail banking	Commercial banking	Payment & settlement	Others	Total
	----- Rupees in '000 -----						
Total income	7,347	1,867,293	310,082	1,361,480	26,267	-	3,572,469
Total expenses	3,477	1,901,091	767,510	1,459,813	21,015	42,113	4,195,019
Tax expense	-	-	-	-	-	-	(36,327)
Deferred tax	-	-	-	-	-	-	251,398
Net income / (loss)	3,870	(33,798)	(457,428)	(98,333)	5,252	(42,113)	(407,479)
Segment assets (gross)	-	20,291,070	1,233,122	13,018,121	-	5,368,758	39,911,071
Segment non performing loans	-	-	32,194	1,870,372	-	-	1,902,566
Segment provision required	-	-	19,197	508,227	-	-	527,424
Segment liabilities	-	4,970,556	21,107,614	6,153,952	369,620	943,619	33,545,361
Segment return on net assets (ROA) (%)	-	12.94	14.16	13.09	-	-	-
Segment cost of funds (%)	-	12.63	5.82	9.17	-	-	-

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	19,870	-	2,866,765
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)	5,990	(84,574)	(594,936)
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	9	-	-	-

38. 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, 2010		December 31, 2009	
	Key management personnel	Related parties	Key management personnel	Related parties
	----- Rupees in '000 -----		----- Rupees in '000 -----	
Advances				
Opening balance	36,709	1,451,187	39,346	941,246
Disbursements	1,600	35,826,430	3,386	23,631,418
Repayments	(34,886)	(34,283,287)	(6,023)	(23,121,477)
Balance as at December 31	3,423	2,994,330	36,709	1,451,187
Mark-up / return / interest earned	2,316	261,242	3,576	178,299

	December 31, 2010		December 31, 2009	
	Key management personnel	Related parties	Key management personnel	Related parties
	----- Rupees in '000 -----		----- Rupees in '000 -----	
Deposits				
Opening balance	24,175	1,148,445	37,959	4,246,435
Deposits during the year	184,573	179,847,700	259,624	299,291,572
Withdrawals during the year	(199,053)	(179,178,096)	(273,408)	(302,389,562)
Balance as at December 31	9,695	1,818,049	24,175	1,148,445
Mark-up / return / interest expensed	381	117,815	1,320	221,522

The related party status of outstanding receivables and payable as at December 31, 2010 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, 2010	December 31, 2009
		----- Rupees in '000 -----	
Companies having common directorship			
	Sale of Term Finance Certificates	218,013	291,075
	Sale of Government Securities	6,302,098	3,146,230
	Purchase of Government Securities	519,974	-
	Purchase of Sukuk	-	48,718
	Sale of Sukuk / Ijara	35,000	48,718
	Sale of shares	-	19
	Insurance claim received	4,181	3,078
	Commission earned	43,070	23,010
	Services received	200	-
	Payment of insurance premium	27,688	16,204
	Services rendered	25	-
	Underwritten commission paid	3,033	-
Parent company			
	Subscription in right shares	391,211	432,761
	Reimbursement of expenses	-	61
	Purchase of fixed assets	95	-
	Sale of shares	-	54
Companies in which parent company holds 20% or more			
	Purchase of Term Finance Certificates	231,901	291,489
	Sale of Term Finance Certificates	213,649	246,800
	Purchase of Government securities	4,632,927	3,015,633
	Sale of Government securities	9,784,282	5,470,426
	Purchase of fixed assets	37	-
	Sale of shares / units	310,286	4,162
	Purchase of shares / units	200,000	-
	Rent expense paid / accrued	2,255	3,971
	Call lending / Reverse Repo	3,515,000	8,944,000
	Call borrowing / Repo	5,985,000	-
	Commission paid / accrued	2,996	3,633
	Commission income	3,943	6,049
	Dividend income	5,083	8,746
	Reimbursement of expenses	3,849	2,525

Relationship with the Bank	Nature of transactions	December 31, 2010	December 31, 2009
		----- Rupees in '000 -----	
	Redemption of Term Finance Certificate	12,048	25,179
	Purchase of forward foreign exchange contracts	4,357,771	15,018,998
	Sale of forward foreign exchange contracts	4,818,193	13,184,539
	Services rendered	44	-
Other related parties			
	Trustee fee	-	2,479
	Purchase of shares	-	97,763
	Sale of shares	53,748	66,320
	Purchase of Government Securities	-	4,908
	Sale of Government Securities	26,199	9,834
	Sale of units	-	80,000
	Dividend income	-	3,151
	Commission earned / unearned	5,747	14,611
	Services received	853	-
	Consultancy fee	2,486	900

39. CAPITAL ASSESSMENT AND ADEQUACY BASEL II SPECIFIC ■

39.1 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.

39.2 Capital Structure

	December 31, 2010	December 31, 2009
	----- Rupees in '000 -----	
Tier I Capital		
Shareholders equity / assigned capital	8,149,715	6,127,605
Reserves	18,040	18,040
Discount on issue of right shares	(1,415,477)	-
Accumulated losses	(930,671)	(523,192)
	5,821,607	5,622,453
Less: Goodwill, other intangible assets and deficit on account of revaluation of available-for-sale portfolio etc.	1,600,146	1,614,145
Shortfall in provisions required against classified assets irrespective of any relaxation allowed	522,994	-
	2,123,140	1,614,145
Total Tier I Capital	3,698,467	4,008,308
Tier II Capital		
General provisions subject to 1.25% of total risk weighted assets	2,060	4,485
Revaluation reserve (upto 45%)	11,547	22,227
	13,607	26,712
Total Tier II Capital	13,607	26,712
Eligible Tier III Capital	-	-
Total regulatory capital base	3,712,074	4,035,020

39.3 Capital Adequacy

Capital Management

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

Statutory minimum capital requirement and management of capital

The State Bank of Pakistan through its BSD Circular No. 07 dated April 15, 2009 requires the minimum paid up capital (net of losses) for Banks / Development Finance Institutions (DFIs) to be raised to Rs.10 billion by the year ending December 31, 2013. This increase in capital is to be achieved in a phased manner requiring Rs.7 billion paid-up capital (net of losses) by the end of the financial year 2010.

The paid up capital (net of losses) of the Bank as at December 31, 2010 stood at Rs.5.804 billion (see 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, 2010 was 17.64% 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 (upto 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.

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

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, 2010	December 31, 2009	December 31, 2010	December 31, 2009

----- Rupees in '000 -----

Credit Risk

Portfolios subject to standardized approach

Corporate	1,167,559	823,679	11,675,589	8,236,791
Retail	18,857	28,781	188,572	287,805
Banks and DFIs	82,299	79,991	822,988	799,906
Public sector entity	767	19,063	7,668	190,630
Sovereign (include GoP and SBP)	-	-	-	-
Residential mortgage finance	5,634	5,068	56,337	50,675
Past due loans	90,101	39,047	901,006	390,469
Fixed assets	128,280	142,518	1,282,795	1,425,184
Other assets	139,431	106,029	1,394,313	1,060,287
Off balance sheet - non market related	127,593	67,130	1,275,927	671,304
Off balance sheet - market related	1,489	1,692	14,890	16,923
Equity exposure risk in the banking book	95,218	145,788	952,176	1,457,883

Market Risk

Capital Requirement for portfolios subject to Standardized Approach

Interest rate risk	9,927	7,335	124,088	73,347
Equity position risk	-	-	-	-
Foreign exchange risk	27,812	64,516	347,650	645,161

Operational Risk

Capital requirement for operational risks	160,252	151,311	2,003,145	1,513,110
Total	2,055,219	1,681,948	21,047,144	16,819,475

Capital Adequacy Ratio

Total eligible regulatory capital held	(a)	3,712,074	4,035,020
Total risk weighted assets	(b)	21,047,144	16,819,475
Capital adequacy ratio	(a) / (b)	17.64%	23.99%

40. RISK MANAGEMENT ■

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

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

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

Risk management framework of Bank includes:

- a) Clearly defined risk management policies and procedures covering risk identification, acceptance, measurement, monitoring, reporting and control;
- b) Well constituted organizational structure, defining clearly roles and responsibilities of individuals involved in risk taking as well as managing it. 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 and Other Functional Heads.
- Risk Management Group (RMG) which comprises of Risk Managers for Credit, Market and Operational Risks, Treasury Middle Office and 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) Special Asset Management (SAM)
- c) Operational Risk Management (ORM)
- d) Market Risk Management (MRM)
- e) Treasury Middle Office (TMO)

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.

40.1 Credit Risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. Credit risk is managed in terms of credit policies, approved by the BoD and regulations issued by the SBP. 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.

40.1.1 Segmental Information

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

40.1.1.1 Segment by class of business

	December 31, 2010					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent %	Rupees in '000	Percent %	Rupees in '000	Percent %
Mining and quarrying	527,543	3.64	153,628	0.58	96	-
Textile	1,645,174	11.34	191,026	0.73	457,312	5.84
Chemical and pharmaceuticals	2,063,043	14.22	30,750	0.12	493,805	6.30
Fertilizer	-	-	-	-	266,134	3.40
Automobile and transportation equipment	175,135	1.21	52,214	0.20	62,208	0.79
Electronics and electrical appliances	219,674	1.51	190,864	0.73	83,383	1.06
Construction	20,783	0.14	115,023	0.44	179,728	2.29
Power, gas, water and sanitary	352,160	2.43	155,280	0.59	52,149	0.67
Paper / board / furniture	-	-	2,249	0.01	196,880	2.51
Petroleum / oil and gas	-	-	-	-	60,250	0.77
Food / confectionery / beverages	1,334,238	9.20	31,431	0.12	247,626	3.16
Trust and non-profit organisations	22,414	0.15	4,087,958	15.56	12,073	0.15
Wholesale and retail trade	246,250	1.70	-	-	-	-
Transport, storage and communication	455,032	3.14	493,188	1.88	11,000	0.14
Financial	1,296,546	8.94	2,362,963	8.99	5,569,614	71.11
Insurance	100,000	0.69	144,307	0.55	-	-
Services	-	-	-	-	771	0.01
Cement	305,394	2.11	13,928	0.05	-	-
Sugar	1,212,107	8.36	3,229	0.01	-	-
Individuals	2,428,836	16.74	15,357,866	58.45	32,687	0.42
Others	2,101,208	14.50	2,890,424	11.00	106,578	1.36
	14,505,537	100	26,276,328	100	7,832,293	100

	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

December 31, 2009

	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent %	Rupees in '000	Percent %	Rupees in '000	Percent %
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

40.1.1.2 Segment by sector

December 31, 2010

	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent %	Rupees in '000	Percent %	Rupees in '000	Percent %
Public / Government	150,000	1.03	1,098,935	4.18	540,390	6.90
Private	14,355,537	98.97	25,177,393	95.82	7,291,903	93.10
	14,505,537	100	26,276,328	100	7,832,293	100

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

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

	December 31, 2010		December 31, 2009	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
----- Rupees in '000 -----				
Textile	535,634	97,364	78,642	78,642
Automobile and transportation equipment	56,895	26,058	56,895	13,030
Electronics and electrical appliances	-	-	-	-
Chemical and pharmaceutical	561,000	-	73,698	69,698
Wholesale and retail trade	155,894	105,106	265,543	74,984
Financial	187,823	10,800	177,062	97,261
Individuals	57,345	20,855	66,285	38,827
Other	347,975	265,180	138,934	100,640
	<u>1,902,566</u>	<u>525,363</u>	<u>857,059</u>	<u>473,082</u>

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

Public / Government	-	-	-	-
Private	1,902,566	525,363	857,059	473,082
	<u>1,902,566</u>	<u>525,363</u>	<u>857,059</u>	<u>473,082</u>

40.1.1.5 Geographical Segment Analysis

	December 31, 2010		December 31, 2009	
	Total assets employed	Net assets employed	Total assets employed	Net assets employed
----- Rupees in '000 -----				
Pakistan	<u>39,383,647</u>	<u>5,838,286</u>	<u>32,894,920</u>	<u>5,654,559</u>

	December 31, 2010		December 31, 2009	
	Loss before taxation	Contingencies and commitments	Profit before taxation	Contingencies and commitments
----- Rupees in '000 -----				
Pakistan	<u>(622,550)</u>	<u>7,832,293</u>	<u>(1,448,793)</u>	<u>10,333,998</u>

40.1.2 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
Securitized	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.

40.1.2.1 Credit exposures and comparative figures subject to the standardised approach

Exposures	Rating category No.	Rating risk weighted	December 31, 2010			Risk weighted asset
			Amount outstanding	Deduction CRM	Net amount	
			Rupees in '000			
Cash and Cash Equivalents		0%	629,909	-	629,909	-
Corporate	0	0%	-	554,968	554,968	-
	1	20%	2,861,246	(43,749)	2,817,497	563,499
	2	50%	1,149,964	(34,307)	1,115,657	557,829
	3,4	100%	-	70,048	70,048	70,048
	5,6	150%	1,206,923	(70,048)	1,136,875	1,705,313
	Unrated	100%	9,255,813	(476,912)	8,778,901	8,778,901
			14,473,946	-	14,473,946	11,675,589
Retail		0%	-	184,774	184,774	-
		20%	-	3,996	3,996	799
		50%	-	-	-	-
		75%	439,133	(188,770)	250,363	187,772
			439,133	-	439,133	188,571
Banks						
- Over 3 Months		0%	-	-	-	-
- Over 3 Months	1	20%	2,210,214	-	2,210,214	442,043
- Over 3 Months	2,3	50%	109,217	-	109,217	54,609
- Over 3 Months	4,5	100%	-	-	-	-
- Over 3 Months	6	150%	-	-	-	-
- Over 3 Months	Unrated	50%	-	-	-	-
			2,319,431	-	2,319,431	496,651
- Maturity Upto and under 3 Months in FCY	1,2,3	0%	-	-	-	-
	4,5	20%	62,618	-	62,618	12,524
	6	50%	1,293	-	1,293	647
	unrated	150%	-	-	-	-
		20%	556,518	-	556,518	111,304
			620,429	-	620,429	124,474
- Maturity Upto and under 3 Months in PKR		0%	-	585,717	585,717	-
- Maturity Upto and under 3 Months in PKR		20%	1,595,033	(585,717)	1,009,316	201,863
			1,595,033	-	1,595,033	201,863
Residential Mortgage Finance		35%	160,963	-	160,963	56,337
Public Sector Entity						
	1	0%	-	-	-	-
	2,3	20%	-	-	-	-
	4,5	50%	-	-	-	-
	6	100%	-	-	-	-
	Unrated	150%	-	-	-	-
		50%	15,336	-	15,336	7,668
			15,336	-	15,336	7,668
Sovereigns (SBP / GoP)		0%	11,181,777	-	11,181,777	-
Equity Investments - Listed		100%	876,457	-	876,457	876,457
- Unlisted		150%	50,479	-	50,479	75,719
			926,936	-	926,936	952,176
Past Due Loans (Not Secured by Residential Mortgages)	S.P less than 20%	150%	220,374	-	220,374	330,561
	S.P upto 20%	100%	507,163	-	507,163	507,163
	S.P greater than 50%	50%	126,566	-	126,566	63,283
			854,103	-	854,103	901,007
Investment in fixed assets		100%	1,282,795	-	1,282,795	1,282,795
Other assets		100%	1,394,313	-	1,394,313	1,394,313
Total			35,894,104	-	35,894,104	17,281,445

* Credit Risk Mitigation (CRM)

Exposures	Rating category No.	Rating risk weighted	December 31, 2009			Risk weighted asset
			Amount outstanding	Deduction CRM	Net amount	
			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		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 3 Months in FCY	1,2,3	0%	-	-	-	-
	4,5	20%	1,768,906	-	1,768,906	353,781
	6	50%	-	-	-	-
	unrated	150%	-	-	-	-
		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 - Unlisted		100%	1,457,883	-	1,457,883	1,457,883
		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)

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

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

40.2 Equity Position risk in the banking book

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

	December 31, 2010			
	Cost	Impairment	Market value	Un-realised gain
----- Rupees in '000 -----				
Available-for-sale securities				
Listed equity investment	190,091	(59,675)	158,664	28,248
Investment in preference shares - listed	95,503	(62,110)	33,393	-
Investment in closed end mutual funds	26,805	(21,144)	6,700	1,039
Investment in open end mutual funds	193,646	(82,300)	157,701	46,355
Strategic investment				
Investment in closed end mutual funds	99,701	(68,215)	41,717	10,231
	<u>605,746</u>	<u>(293,444)</u>	<u>398,175</u>	<u>85,873</u>

	December 31, 2009			
	Cost	Impairment	Market value	Un-realised gain
----- 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 open end mutual funds	293,347	(132,849)	160,498	-
	<u>1,208,178</u>	<u>(294,656)</u>	<u>969,008</u>	<u>55,486</u>

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

	December 31, 2010	December 31, 2009
	----- Rupees in '000 -----	
Available-for-sale securities	<u>8,297</u>	<u>(36,367)</u>

40.3 Market Risk

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

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

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

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

Risk reporting undertaken by the market risk function includes:

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

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

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

- Factor Sensitivities
- Stress Testing

Currently, the Bank is using the market risk standardized approach for the purpose of computing regulatory capital, the details of which are set out in note 40.3.

40.3.2 Foreign Exchange Risk

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

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

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

Currency risk arises where the value of financial instruments changes due to changes in foreign exchange rates. In order to manage currency risk exposure the bank enters into ready, spot forward and swap transactions with SBP and in the interbank market. The Bank's foreign exchange exposure comprises of forward contracts, foreign currencies cash in hand, balances with banks abroad, foreign placement

with SBP and foreign currencies assets and liabilities. The net open position is managed within the statutory limits, as fixed by SBP. Counter parties limit are also fixed to limit risk concentration. Appropriate segregation of duties exists between the front and back office functions while compliance with the net open position limit is independently monitored on an ongoing basis.

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

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

40.3.3 Equity Position Risk in Trading Book

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

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

40.3.4 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, 2010 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 -0.18%, -0.35% and -0.88% with corresponding increase of 1%, 2% and 5% in interest rate levels respectively.

40.3.5 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, 2010

Effective yield interest rate	December 31, 2010										Non-interest bearing financial instrument	
	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years		
----- Rupees in '000 -----												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0	2,298,806	326,971	-	-	-	-	-	-	-	-	1,971,835
Balances with other banks	0 - 2.75	917,802	66,181	513,820	-	-	-	-	-	-	-	337,801
Lendings to financial institutions	13.15-14.84	3,643,360	2,131,579	1,111,781	-	-	-	-	-	-	-	-
Investments	2.95-16.26	13,701,699	1,777,353	3,537,599	4,672,789	8,280	87,478	868,940	1,283,967	859,547	-	605,746
Advances	2.84-24.09	13,978,113	7,610,858	487,192	2,621,020	862,084	912,098	1,160,704	165,237	2,233	156,687	-
Other assets	-	712,359	-	-	-	-	-	-	-	-	-	712,359
		35,252,139	11,912,942	5,650,392	7,293,809	870,364	999,576	2,429,644	1,449,204	861,780	156,687	3,627,741
Liabilities												
Bills payable	-	369,620	-	-	-	-	-	-	-	-	-	369,620
Borrowings	9-13.35	5,524,410	3,458,852	1,748,645	312,740	-	-	-	-	-	-	4,173
Deposits and other accounts	5.10-15.25	26,276,328	14,210,331	2,748,178	1,042,227	1,239,076	8,590	12,000	9,764	-	-	7,006,162
Other liabilities	-	1,365,670	-	-	-	-	-	-	-	-	-	1,365,670
		33,536,028	17,669,183	4,496,823	1,354,967	1,239,076	8,590	12,000	9,764	-	-	8,745,625
On-balance sheet financial instruments		1,716,111	(5,756,241)	1,153,569	5,938,842	(368,712)	990,986	2,417,644	1,439,440	861,780	156,687	(5,117,884)
Forward lendings		-	-	-	-	-	-	-	-	-	-	-
Forward borrowings		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total yield / interest risk sensitivity gap			(5,756,241)	1,153,569	5,938,842	(368,712)	990,986	2,417,644	1,439,440	861,780	156,687	-
Cumulative yield / interest risk sensitivity gap			(5,756,241)	(4,602,672)	1,336,170	967,458	1,958,444	4,376,088	5,815,528	6,677,308	6,833,995	-

December 31, 2009

Effective yield interest rate	December 31, 2009										Non-interest bearing financial instrument	
	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years		
----- Rupees in '000 -----												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0	1,764,403	382,810	-	-	-	-	-	-	-	-	1,381,593
Balances with other banks	0-2.50	1,820,857	1,383,057	-	-	-	-	-	-	-	-	437,800
Lending to financial institutions	12.25-13.96	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	69,008
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	-

December 31 December 31
2010 2009
----- Rupees in '000 -----

Reconciliation to total assets

Balance as per balance sheet

39,383,647 32,894,920

Less: Non financial assets

Operating Fixed Assets
Deferred tax assets
Other Assets

2,882,941	3,039,329
1,184,613	924,907
63,954	82,647
4,131,508	4,046,883
35,252,139	28,848,037

December 31 December 31
2010 2009
----- Rupees in '000 -----

Reconciliation to total liabilities

Balance as per balance sheet

33,545,361 27,240,361

Less: Non financial liabilities

Government duties

9,333	8,240
33,536,028	27,232,121

40.4 Liquidity risk

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

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

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

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

Maturity of Assets and Liabilities

December 31, 2010

Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years	
										Rupees in '000
Assets										
Cash and balances with treasury banks	2,298,806	2,298,806	-	-	-	-	-	-	-	-
Balances with other banks	917,802	403,982	513,820	-	-	-	-	-	-	-
Lending to financial institutions	3,643,360	2,131,579	1,111,781	-	-	-	400,000	-	-	-
Investments	13,701,699	2,383,099	3,537,599	4,672,789	8,280	87,478	868,940	1,283,967	859,547	-
Advances	13,978,113	7,610,858	487,192	2,621,020	862,084	912,098	1,160,704	165,237	2,233	156,687
Other assets	776,313	601,695	31,645	31,135	92,472	18,181	1,176	9	-	-
Operating fixed assets	2,882,941	28,795	38,265	56,766	106,152	172,961	147,800	262,464	309,997	1,759,741
Deferred tax assets	1,184,613	-	-	-	-	-	-	1,184,613	-	-
39,383,647	15,458,814	5,720,302	7,381,710	1,068,988	1,190,718	2,578,620	2,896,290	1,171,777	1,916,428	

Liabilities

Bills payable	369,620	369,620	-	-	-	-	-	-	-	-
Borrowings	5,524,410	3,463,025	1,748,645	312,740	-	-	-	-	-	-
Deposits and other accounts	26,276,328	21,216,493	2,748,178	1,042,227	1,239,076	8,590	12,000	9,764	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	1,375,003	1,307,892	-	-	-	58,009	-	9,102	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
33,545,361	26,357,030	4,496,823	1,354,967	1,239,076	66,599	12,000	18,866	-	-	-
Net assets	5,838,286	(10,898,216)	1,223,479	6,026,743	(170,088)	1,124,119	2,566,620	2,877,424	1,171,777	1,916,428

Share capital	8,149,715
Statutory reserve	18,040
Discount on issue of right shares	(1,415,477)
Accumulated losses	(930,671)
Surplus on revaluation of assets - net	16,679
5,838,286	

The expected maturity dates do not differ significantly from the contract date except for the maturity of Rs.7.59 (2009: Rs.5.41) billion of deposits representing retail deposit accounts being considered stable core source of funding by the Bank.

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	
										Rupees in '000
Assets										
Cash and balances with treasury banks	1,764,403	1,764,403	-	-	-	-	-	-	-	-
Balances with other banks	2,073,582	1,820,857	252,725	-	-	-	-	-	-	-
Lending to financial institutions	3,229,839	1,881,183	1,348,656	-	-	-	-	-	-	-
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
Accumulated losses	(523,192)
Surplus on revaluation of assets - net	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.

40.5 Operational risk

The Bank currently uses Basic Indicator Approach to Operational Risk for regulatory capital calculations. We define the operational risk as the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. With the evolution of Operations Risk Management into a separate distinct discipline, the Bank's strategy is to further strengthen its risk management system along 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 which have been implemented across the bank. Findings from KRIs are used as predictive indicators of potential operational risks and 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.

41. RECLASSIFICATIONS

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

<u>Statement</u>	<u>Component</u>	<u>Reclassification from</u>	<u>Reclassification to</u>	<u>(Rupees in '000)</u>
Statement of financial position	Assets	Lendings to financial institutions	Balances with other banks	252,725

42. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on March 05, 2011.

43. GENERAL

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

Jahangir Siddiqui
Chairman

Kalim-ur-Rahman
President/Chief Executive

Ashraf Nawabi
Director

Mazharul Haq Siddiqui
Director

Annexure 'A'

S. No.	Name and address of the borrowers	CNIC No.	Fathers's / Husband's Name	Outstanding liabilities at the beginning of the year			Write off during the year		
				Principal	Interest / Mark-up	Others	Total	Principal written-off	Interest / Mark-up written-off

1	DCD Services Ltd. (46-C, Block 6, PECHS Karachi)	35201-8501115-7 42301-4704041-3	Syed Munawar Hussain Kasim Muhammad Ahmed Dadabhoy	166,262	40,120	-	206,382	-	48,283	-	48,283
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Statement showing written-off loans or any other financial relief of five hundreded thousands rupees or above provided during the year ended December 31, 2010

SHAREHOLDER'S STATISTICS

As at December 31, 2010

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

No. of Shareholders	From	Shareholdings	To	Total Shares Held
327	1		100	10,674
1082	101		500	444,207
1260	501		1000	1,204,213
2519	1001		5000	7,287,423
825	5001		10000	6,624,308
342	10001		15000	4,353,786
196	15001		20000	3,545,677
141	20001		25000	3,253,034
90	25001		30000	2,556,749
49	30001		35000	1,606,584
49	35001		40000	1,866,488
24	40001		45000	1,059,391
87	45001		50000	4,263,643
14	50001		55000	755,433
16	55001		60000	945,786
8	60001		65000	502,592
7	65001		70000	469,531
21	70001		75000	1,542,154
10	75001		80000	770,708
12	80001		85000	993,790
9	85001		90000	791,308
6	90001		95000	554,886
31	95001		100000	3,089,706
8	100001		105000	824,701
9	105001		110000	974,849
7	110001		115000	792,518
3	115001		120000	353,214
3	120001		125000	369,500
2	125001		130000	258,094
2	130001		135000	262,194
2	135001		140000	279,000
1	140001		145000	141,470
5	145001		150000	744,940
4	150001		155000	611,418
2	155001		160000	319,949
2	160001		165000	327,000
1	165001		170000	170,000
3	170001		175000	511,420
1	175001		180000	180,000
3	180001		185000	551,928
2	185001		190000	372,099
1	190001		195000	192,000
6	195001		200000	1,200,000
2	200001		205000	404,839
4	205001		210000	830,300
2	215001		220000	435,900
1	220001		225000	225,000
1	230001		235000	232,750
3	245001		250000	750,000
1	250001		255000	253,312
1	255001		260000	256,195
1	260001		265000	264,000

No. of Shareholders	Shareholdings	Total Shares Held	
	From	To	
1	265001	270000	270,000
2	275001	280000	557,962
5	295001	300000	1,500,000
1	300001	305000	300,513
1	305001	310000	305,500
2	325001	330000	653,920
1	355001	360000	355,500
1	360001	365000	362,250
1	385001	390000	388,500
1	405001	410000	405,132
1	410001	415000	411,000
2	415001	420000	834,800
1	455001	460000	456,271
1	470001	475000	475,000
2	495001	500000	995,289
1	500001	505000	505,000
1	515001	520000	515,964
1	565001	570000	569,250
1	585001	590000	589,750
2	595001	600000	1,200,000
1	645001	650000	650,000
1	715001	720000	715,575
1	770001	775000	770,045
1	795001	800000	800,000
1	800001	805000	801,913
2	995001	1000000	2,000,000
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	1480001	1485000	1,481,500
1	1540001	1545000	1,545,000
1	1655001	1660000	1,658,927
1	1665001	1670000	1,666,667
1	1670001	1675000	1,671,030
1	1795001	1800000	1,800,000
1	1945001	1950000	1,949,604
1	2135001	2140000	2,136,000
1	2715001	2720000	2,720,000
1	2995001	3000000	3,000,000
1	3125001	3130000	3,125,979
1	3620001	3625000	3,623,124
1	4380001	4385000	4,382,370
1	4395001	4400000	4,400,000
1	4605001	4610000	4,610,000
1	7395001	7400000	7,395,500
1	10435001	10440000	10,436,696
1	13190001	13195000	13,190,123
1	19995001	20000000	20,000,000
1	23460001	23465000	23,460,694
1	23685001	23690000	23,686,434
1	28755001	28760000	28,759,330
1	38995001	39000000	39,000,000
1	525565001	525570000	525,566,192
7,272			814,971,465

Categories of Shareholders	Shares Held	Percentage %
Banks, Development Financial Institutions, Non-Banking Financial Institutions	26,494,519	3.25
Insurance Companies	23,478,941	2.88
Directors, Chief Executive Officer and their Spouse and Minor Children		
Mr. Jahangir Siddiqui	1	
Mr. Mazharul Haq Siddiqui	801,914	
Mr. Maqbool Ahmed Soomro	16	
Mr. Ashraf Nawabi	1	
Mr. Rafique R. Bhimjee	130,891	
Mr. Shahab Anwar Khawaja	1	
Mr. Basir Shamsie	1	
Mrs. Akhter Jabeen	218,700	
Mrs. Hafsa Shamsie	328,320	
Sub-Totals :	1,479,845	0.18
Associated Companies, Undertakings and Related Parties		
Jahangir Siddiqui & Co. Limited	525,566,192	64.49
Modarabas and Mutual Funds	692,232	0.08
NIT and ICP		
IDBP (ICP UNIT)	5,467	
National Bank of Pakistan-Trustee Depart	28,759,330	
Investment Corporation of Pakistan	972	
Sub-Totals :	28,765,769	3.53
Foreign Investors	25,765,898	3.16
Others	62,236,645	7.64
Individual		
Local - Individuals	120,491,424	14.78
	G-Totals : 814,971,465	100.00

Details of transactions carried out by Directors, Chief Executive Officer (CEO), Chief Financial Officer (CFO), Company Secretary and their spouse and minor children during the period from January 01, 2010 to December 31, 2010

During the period from January 01, 2010 to December 31, 2010 Mr. Rafique R. Bhimjee (Director) has Subscribed 32,476 right shares in accordance with the entitlement as shareholder of the Bank.

BRANCH NETWORK

SINDH

KARACHI

Shaheen Complex Branch
Ph : 111 572 265 & 3227 2569 - 80
Fax : 3263 1803
Dr. Ziauddin Ahmed Road,
Karachi.

Karachi Stock Exchange Branch
Ph : 3246 2851 - 4
Fax : 3246 2860
Karachi Stock Exchange Building,
Karachi.

S.I.T.E. Branch

Ph : 3255 0080 - 4
Fax # 3255 0085
S.I.T.E. Avenue, Karachi.

Khayaban-e-Ittehad, DHA Branch

Ph : 3531 3811 - 4
Fax # 3531 3840
13th Commercial Street,
Phase II Ext, DHA, Karachi.

Park Towers Branch

Ph : 3583 2011 - 9
Fax : 3583 2617
Park Towers Shopping Mall,
Shahrah-e-Firdousi,
Clifton Quarters, Karachi.

Teen Talwar Branch

Ph : 3583 4127 / 3583 5867 /
3583 6974
Fax : 35837833
Al Habib Arcade, Block # 7,
Clifton, Karachi.

Gulshan-e-Iqbal Branch

Ph : 3482 9055 - 60
Fax : 3482 9065
Block 13-B, Gulshan-e-Iqbal,
Karachi.

Shahrah-e-Faisal Branch

Ph : 3437 3240 - 4
Fax : 3437 3245
Al Tijarah Centre, Block 6, PECHS,
Shahrah-e-Faisal, Karachi.

North Nazimabad Branch

Ph : 3672 1010 - 4
Fax : 3672 1019
Block K, North Nazimabad,
Karachi.

Gulistan-e-Jauhar Branch

Ph : 3466 2002 - 6
Fax # 3466 2011
Rufi Lake Drive, Gulistan-e-Jauhar,
Karachi.

Safoora Goth Branch

Ph : 3466 1805 - 9
Fax : 3466 2011
Block 7, Gulistan-e-Jauhar,
Karachi.

Jheel Park Branch

Ph : 3454 4831 - 3
Fax : 3454 4836
Block 2, PECHS, Karachi.

Nazimabad Branch

Ph : 3661 2325 / 3661 2319 /
3661 2236
Fax : 3661 2390
Nazimabad # 3, Karachi.

Korangi Industrial Area Branch

Ph : 3505 5826 - 7 & 3505 2773 - 5
Fax : 3505 2410
Korangi Industrial Area, Karachi.

Zamzama Branch

Ph : 3529 5219 / 3529 5233
Fax : 3529 5232
Zam-1, Zamzama Boulevard,
Phase V, DHA, Karachi.

Federal B Area Branch

Ph : 3631 6229 / 3631 6244 /
3631 6324
Fax : 3631 6341
Block 7, Federal B Area, Karachi.

Khayaban-e-Shahbaz, DHA Branch

Ph : 3524 3411 - 20
Fax : 3524 3413
Khayaban-e-Shahbaz,
DHA Phase 6, Karachi.

Gulshan Chowrangi Branch

Ph : 3483 3290 - 3
Fax : 3483 3298
Saima Plaza, Gulshan-e-Iqbal,
Karachi.

Dhoraji Branch

Ph : 3494 6280 - 2
Fax : 3494 7011
C.P. Berar Society, Dhoraji, Karachi.

Shah Faisal Colony Branch

Ph : 3468 6191 - 4
Fax : 3468 6195
Shah Faisal Colony, Karachi.

Islamia College Branch

Ph : 3492 4021 - 4
Fax : 3492 4025
Jamshed Quarters,
M.A. Jinnah Road, Karachi.

M.A. Jinnah Road Branch

Ph : 3274 2006 - 8
Fax : 3274 2011
Light House, M.A. Jinnah Road,
Karachi.

Lucky Star Branch

Ph : 3562 2431 - 9
Fax : 3562 2440
Lucky Star, Saddar, Karachi.

Gulshan-e-Hadeed Branch

Ph : 3471 5201 - 3 & 3471 5205 - 7
Fax : 3471 5213
Phase I, Gulshan-e-Hadeed,
Karachi.

Cloth Market Branch

Ph : 3246 4042 - 8
Fax : 3246 4049
Lakshmidas Street, Cloth Market,
Karachi.

Mauripur Branch

Ph : 3235 4060 - 3
Fax : 3235 4065
New Quaid-e-Azam Truck Stand,
Hawksbay Road, Mauripur,
Karachi.

Garden Branch

Ph : 3224 0093 - 7
Fax : 3224 0543
Lawrence Road, Garden West,
Karachi.

Timber Market Branch

Ph : 3276 3079 / 3276 3095 /
3276 0820
Fax : 3276 3054
Harchandrai Road,
Siddque Wahad Road, Karachi.

Abul Hasan Isphahani Road Branch

Ph : 3469 3540 - 9
Fax : 3469 3542
Abul Hasan Isphahani Road, Karachi.

Jodia Bazar Branch

Ph : 3243 5304 -6 & 3246 3456
Fax : 3246 3460
Rampat Row, Khori Garden, Karachi.

HYDERABAD

Saddar Branch

Ph : 022 273 0925 -7
Fax : 022 273 0931
Saddar Bazar, Cantonment,
Hyderabad.

Latifabad Branch

Ph : 022 381 7971 - 4
Fax : 022 381 7983
Latifabad, Hyderabad.

Cloth Market Branch

Ph : 0222 618270 - 1 3 - 4
Doman Wah Road, Cloth Market,
Hyderabad.

JAMSHORO

Jamshoro Branch

Ph : 022 387 8101 - 4
Fax : 022 387 8105
Main Road, Jamshoro Phatak,
Jamshoro.

SANGHAR

Sanghar Branch

Ph : 0235 800162 - 5
Fax : 0235 543 579
M.A. Jinnah Road, Sanghar.

MIRWAH GORCHANI

Al Abbas Sugar Mill Branch
Al Abbas Sugar Mill,
Mirwah Gorchani.

MIRPURKHAS

Mirpurkhas Branch

Ph : 0233 876 001 - 4
Fax : 0233 876 005
Umerkot Road, Mirpurkhas.

SUKKUR

Shaheed Gunj Branch

Ph : 071 562 7481-2,
562 7484-5
Fax : 071 562 7994
Shaheed Gunj, Sukkur.

IBA Campus Branch

Ph : 071 563 3826
IBA Sukkur, Airport Road,
Sindh Society, Sukkur.

LARKANA

Larkana Branch

Ph : 074 405 8603 - 5
Fax : 074 405 7406
Bander Road, Larkana.

KHAIRPUR

Khairpur Branch

New Goth, Kachehri Road,
Khairpur.

MAATLI

Maatli Branch

Matli Town, District Badin.

NAWABSHAH

Nawabshah Branch

Ph : 0244 330 561- 4
Fax : 0244 330 565
Masjid Road, Nawabshah.

SULTANABAD

Sultanabad Branch

Sultanabad, Tando Allahyar.

TANDO ALLAHYAR

Tando Allahyar Branch

Ph : 022 389 2001- 4
Fax : 022 389 2005
Mirpurkhas Road, Tando Allahyar.

MORO

Moro Branch

Ph : 0242 413200 - 3
Fax : 0242 413208
Main Road, Moro.

KUNRI

Kunri Branch

Ph : 0238 558 163 - 6
Fax : 0238 558 189
Station Road, Kunri.

TANDO MOHAMMAD KHAN

Tando Mohammad Khan Branch

Ph : 022 334 0596 - 8
Fax : 022 334 0638
Station Road,
Tando Mohammad Khan.

DIGRI

Digri Branch

Ph : 0233 870 305 - 7
Fax : 0233 870 246
Tando Ghulam Ali Road, Digri.

SEHWAN SHARIF

Sehwan Sharif Branch

Khosa Muhalla,
Dadu - Sehwan Road, Sehwan.

PANO AQIL

Pano Aqil Branch

Pano Aqil.

BALOCHISTAN

QUETTA

M.A. Jinnah Road Branch

Ph : 081 286 5501 - 4
Fax : 081 286 5508
M.A. Jinnah Road, Quetta.

PUNJAB

LAHORE

Upper Mall Branch

Ph : 042 111 572 265,
3577 6515-30
Fax : 042 3577 6531
201 A , Upper Mall, Lahore.

DHA Branch

Ph : 042 3569 2953 - 61
Fax : 042 3569 2960
Block 'Y', Phase III, DHA,
Lahore.

BRANCH NETWORK

Allama Iqbal Town Branch

Ph : 042 3543 4253 – 5
Fax : 042 3749 4910
Chenab Block, Main Boulevard,
Allama Iqbal Town, Lahore.

Shadman Town Branch

Ph : 042 3750 3701 – 8
Fax : 042 3750 3709
Shadman Road, Lahore.

Faisal Town Branch

Ph : 042 3521 9301 – 8
Fax : 042 3521 9315
Block A, Faisal Town, Lahore.

Chowburji Branch

Ph : 042 3736 2981 – 8
Fax : 042 3736 2995
Lake Road, Chowburji,
Lahore.

Wapda Town Branch

Ph : 042 3521 1557 – 64
Fax : 042 3521 1568
PIA Employees Co-Operative
Housing Society, Wapda Town,
Lahore.

M.M. Alam Road Branch

Ph : 042 3577 8721 – 30
Fax : 042 3576 1527
M.M. Alam Road, Gulberg II,
Lahore.

Model Town Branch

Ph : 042 3591 5614 – 8
Fax : 042 3591 5613
Bank Square, Model Town, Lahore.

Circular Road Branch

Ph : 042 3737 9325 – 8
Fax : 042 3737 9330
Circular Road, Lahore.

Brandreth Road Branch

Ph : 042 3738 1316 – 9
Fax : 042 3738 1323
Brandreth Road, Lahore.

DHA Phase II Branch

Ph : 042 3570 7651 – 9
Fax : 042 3570 7658
Block T, DHA Phase II, Lahore.

Shah Alam Market Branch

Ph : 042 3737 5734 – 7
Fax : 042 3737 5743
Shah Alam Market,
Lahore.

Airport Road Branch

Ph : 042 357 00081 – 90
Fax : 042 357 00088
Divine Mega II Plaza, Airport Road,
Lahore.

Cavalry Ground Branch

Ph : 042 366 10281 – 2
Fax : 042 366 10283
Officers Colony, Cavalry Ground,
Lahore.

Raiwind Road Branch

Ph : 042 529 1247 – 8
042 529 1270-1
Fax : 042 529 1432
Judicial Employees Housing
Corporate Society,
Raiwind Road, Lahore.

MURIDKE

Muridke Branch
Ph : 042 3795 1054 – 7
Fax : 042 3495 1053
G.T. Road, Muridke.

NANKANA

Agrow Warburton Branch
Ph : 056 279 4068 &
056 279 4065
Moaza Jasslani, Nankana.

GUJRANWALA

G.T. Road Branch
Ph : 055 325 7363 / 055 325 7365 /
055 325 7617
Fax : 055 325 4409
Model Town, G.T. Road,
Gujranwala.

Bank Square Branch

Ph : 0554 4234001 – 3
Fax : 0554 4234405
Bank Square, Gujranwala.

FAISALABAD

Kotwali Road Branch
Ph : 041 241 2263 / 041 241 2265 /
041 241 2271
Fax : 041 241 2260
Kotwali Road, Faisalabad.

RABWA

Rabwa Branch
Ph : 047 621 4042 – 5
Fax : 047 621 3244
Chenab Nagar, Rabwa.

MULTAN

Abdali Road Branch
Ph : 061 457 4496 / 061 457 4469 /
061 457 4364
Fax : 061 451 4366
Jalil Centre, Abdali Road, Multan.

DIPALPUR

Dipalpur Branch
Ph : 044 454 2246 – 9
Fax : 044 454 2243
Kasur Road, Dipalpur.

SIALKOT

Sialkot Cantt Branch
Ph : 052 427 2351 – 4
Fax : 052 427 2355
Aziz Shaheed Road, Sialkot.

Shahab Pura Branch

23/A Small Industrial Estate,
Shahab Pura, Sialkot.

DASKA

Daska Branch
Ph : 052 661 0461 – 4
Fax : 052 661 0454
Muslim Market,
Gujranwala Road, Daska.

RAHIM YAR KHAN

Rahim Yar Khan Branch
Ph : 068 587 9511 – 4
Fax : 068 587 9517
Town Hall Road, Rahim Yar Khan.

KASUR

Kasur Branch
Ph : 049 276 1581 – 4
Fax : 049 277 0273
Chandni Chowk,
Railway Road, Kasur.

Agrow Kasur Branch

Ph : 049-2771308 – 9
Fax : 049 -2771306
Ganda Singh Road, Kasur.

SHEIKHUPURA

Sheikhupura Branch
Ph : 056 381 0273 – 6
Fax : 056 381 0279
Sharif Plaza, Sargodha Road,
Sheikhupura.

Agrow Sheikhupura Branch

Gujranwala - Sheikhupura Road,
Sheikhupura.

GUJRAT

Gujrat Branch
Ph : 053 353 8091 – 4
Fax : 053 353 8097
Main G.T. Road, Gujrat.

SAHIWAL

Sahiwal Branch
Ph : 040 422 2733 – 5
Fax : 040 422 2703
Sahiwal.

OKARA

Okara Branch
Ph : 044 252 8728 – 30
Fax : 044 255 2731
M.A. Jinnah Road, Okara.

MANDI BHAUDDIN

Mandi Bahauddin Branch
Ph : 0546 509452 -3
Fax : 0546 509460
A.D. Plaza, Jamia Road,
Mandi Bahauddin.

SARGODHA

Sargodha Branch
Ph : 048 3768286 – 90
Fax : 048 3210855
Railway Road, Sargodha.

ARIFWALA

Arifwala Branch
Ph : 0457 835 477 – 81
Fax : 0457 834 402
Thana Bazar, Arifwala.

VEHARI

Vehari Branch
Ph : 067 336 0715 – 8
Fax : 067 3360719
Karkhana Road, Vehari.

PAK PATTAN

Pak Pattan Branch
Ph : 0457 352591-4
& 0457 352001-5
Fax : 0457 352126
College Road, Hadbast Mauza,
Pak Pattan.

Agrow Pak Pattan Branch

Sahiwal Road, Pak Pattan.

KHANEWAL

Khanewal Branch
Ph : 065 255 7491 – 3
Fax : 065 255 7494
Block 16, Khanewal.

DINA

Dina Branch
Abdullah Plaza,
Main G.T. Road, Dina.

JEHLUM

Jehlum Branch
Ph : 0544 611840 – 3
Fax : 0544 611844
Civil Lines, Jehlum.

CHISHTIAN

Agrow Chishtian Branch
13 KM Chak Abdullah,
Chishtian Bahawalnagar Road,
Chishtian.

ELLAHABAD

Agrow Ellahabad Theengmorr Branch
Mouza Narayan Singh Wala,
Tehsil Chunian & District Kasur.

KHARIAN

Kharian Branch
Azmat Plaza, G.T. Road, Kharian.

TOBA TEK SINGH

Toba Tek Singh Branch
Ph : 046 2512052 – 5
Fax : 046 2512056
Farooq Road, Toba Tek Singh.

BUREWALA

Burewala Branch
Al-Yaqeen Trade Centre,
Multan - Vehari Road, Burewala.

LALAMUSA

Lalamusa Branch
G.T.Road, Lalamusa.

HAFIZABAD

Hafizabad Branch
Ph : 0547 526 407 – 10
Fax : 0547 526 402
Vanikay Chowk, Hafizabad

SAMBRIAL

Sambrial Branch
Wazirabad Road, Sambrial.

MUZAFFARGARH

Muzaffargarh Branch
Ph : 066 2424691-2 / 066 2424695
& 066 2424687
Fax : 066 242 4690
Jhang Road, Mazaffargarh.

ATTOCK

Attock Branch
Ph : 057 261 0500 / 261 0480 /
261 0780 / 270 3050
Fax : 057 261 0150
Civil Bazar, TMA Area, Attock.

WAZIRABAD

Wazirabad Branch
Katcheri Chowk, Sialkot Road,
Wazirabad.

GOJRA

Gojra Branch
Bank Road, Gojra.

RAWALPINDI

Satellite Town Branch
Ph : 051 484 2984 – 6
Fax : 051 484 2991
Commmercial Market Chowk,
Satellite Town, Rawalpindi.

BRANCH NETWORK

Bank Road Branch

Ph : 051 512 0731 – 5
Fax : 051 512 0736
Bank Road, Saddar Cantt,
Rawalpindi.

Raja Bazar Branch

Ph : 051 5778 560 -3
Fax : 051 577 8575
M.A. Jinnah Road, Rawalpindi.

Bahria Town Branch

Ph : 051 573 1351 – 4
Fax : 051 573 1359
Bahria Heights III, Phase IV,
Bahria Town, Rawalpindi.

Peshawar Road Branch

Ph : 051 549 2873 - 4 & 549 2870
Fax : 051 549 2871
Meharabad - Peshawar Road,
Rawalpindi Cantt.

ISLAMABAD

Blue Area Branch

Ph : 051 111 572 265 &
051 281 0121 – 4
Fax : 051 281 0128
Ali Plaza, Blue Area, Islamabad.

I-9 Markaz Branch

Ph : 051 443 1296 - 8
Fax : 051 443 1108
I-9 Markaz, Islamabad.

F-8 Markaz Branch

Ph : 051 281 8296 – 8
Fax : 051 281 8295
Al Babar Centre, F-8 Markaz,
Islamabad.

F-7 Markaz Branch

Ph : 051 260 8402 -5
Fax : 051 260 8408
F-7 Markaz, Islamabad.

I-8 Markaz Branch

Ph : 051 486 4523 – 6
Fax : 051 486 4530
Ahmed Plaza, I-8 Markaz, Islamabad.

Islamabad Stock Exchange Branch

Ph : 051 2894407-10
Islamabad Stock Exchange
ISE Tower, 55-B, Jinnah Avenue,
Blue Area, Islamabad.

DHA Phase II Branch

Fax : 051 8146414
Sector-A, DHA Phase II, G.T. Road,
Islamabad.

KHYBER-PAKHTOONKHTWA

PESHAWAR

Cantt Branch

Ph : 091 527 9981 - 4 &
091 528 7455 – 6
Fax : 091 527 9985
Lamsy Arcade, Fakhr-e-Alam Road,
Peshawar Cantt.

University Road Branch

Ph : 091 571 1572 - 5
Fax : 091 571 1576
University Road, Peshawar.

Karkhano Branch

First Floor, G.B Arcade,
Karkhano Bazar, Hayatabad,
Peshawar.

ABBOTTABAD

Abbottabad Branch

Ph : 099 233 1491 - 4
Fax : 099 233 1496
Mansehra Road, Main Supply Bazar,
Abbottabad.

MARDAN

Mardan Branch

Ph : 0937 873445 – 873452
Bazar Shahidan, Mardan.

AZAD JAMMU & KASHMIR (AJK)

CHAKSAWARI

Chaksawari Branch

Ph : 05827 454 790
Fax : 05827 454 798
Daud Plaza, Main Bazar, Chaksawari.

MIRPUR

Mirpur Branch

Ph : 05827 437281 – 4
Fax : 05827 437288
Kotli Road, Mirpur, Azad Kashmir.

DADYAL

Dadyal Branch

Ph : 058630 44668 - 70 &
05827 465668 – 70
Fax : 058630 44673 &
05827 465673
Chaudhry Centre, Ara Jattan,
Dadyal, Azad Kashmir.

MUZAFFARABAD

Muzaffarabad Branch

Ph : 05822 929 765 -7
Fax : 05822 929 772
Al Abbas Hotel Building ,
Muzaffarabad, Azad Kashmir.

KOTLI

Kotli Branch

Ph : 05826 448228 -30
Fax : 05826 448225
Fazal-e-Alam Plaza, Hafiz Aslam
Road, Kotli, Azad Kashmir.

KHUI RATTA

Khui Ratta Branch

Ph : 05826 414906 -7
Fax : 05826 414901
Al-Jannat Plaza, Main Bazar,
Khui Ratta, Azad Kashmir.

FORM OF PROXY

5th Annual General Meeting

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

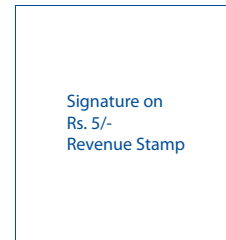
I/We _____ of _____ being member(s) of JS Bank Limited holding _____ ordinary shares as per Register Folio No./CDC /A/c No. (for members who have shares in CDS) _____ hereby appoint Mr./ Ms. _____ of (full address) _____ or failing him /her Mr./Ms. _____ of (full address) _____ as my / our proxy to attend, act and vote for me / us and on my / our behalf at the 5th Annual General Meeting of the Company to be held on March 30, 2011 and / or any adjournment thereof. As witness my / our hand / seal this _____ day of _____ 2011 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. _____



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 Depository Company of Pakistan Ltd (CDC) and / or their proxies are required to produce their original Computerized National Identity Card (CNIC) or Passport for identification purposes at the time of attending meeting. The Form of proxy must be submitted with the 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).



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

AFFIX
CORRECT
POSTAGE