



JS Bank Limited

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JS Bank Limited
Annual Report 2007



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MISSION

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



VISION

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

Company Information

Board of Directors	Mr. Jahangir Siddiqui Mr. Mazhar-ul-Haq Siddiqui Mr. Maqbool A. Soomro Mr. Ashraf Nawabi Mr. Rafique R. Bhimjee Syed Amjad Ali Mr. Basir Shamsie	Chairman
President & Chief Executive Officer	Mr. Naveed Qazi	
Audit Committee	Mr. Jahangir Siddiqui Mr. Maqbool A. Soomro Mr. Rafique R. Bhimjee Mr. Sajid Hussain	Chairman Member Member Secretary
Human Resource Committee	Mr. Jahangir Siddiqui Mr. Naveed Qazi Syed Muhammad Shoaib Omair	Chairman Member Member/Secretary
Risk Management Committee	Mr. Jahangir Siddiqui Mr. Naveed Qazi Mr. Ashraf Nawabi Syed Amjad Ali Mr. Akbar Hasan Khan	Chairman Member Member Member Secretary
Company Secretary	Mr. Muhammad Yousuf Amanullah	
Auditors	Ford Rhodes Sidat Hyder & Co. Chartered Accountants	
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.	



NOTICE OF SECOND ANNUAL GENERAL MEETING

Notice is hereby given that the second Annual General Meeting of the Shareholders of JS Bank Limited will be held on 29th March, 2008 at 09:00 am at Beach Luxury Hotel, Karachi to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the Annual General Meeting held on March 30, 2007.
2. To receive and consider the Audited Financial Statements of the Bank for the year ended December 31, 2007 together with the Directors' Report and Auditors' Report thereon.
3. To appoint the Auditors for the year 2008 and to fix their remuneration. Present auditors Messrs. Ford Rhodes Sidat Hyder & Co., Chartered Accountants retire, and being eligible have offered themselves for re-appointment.

SPECIAL BUSINESS

4. To consider and if thought fit subject to the approval from State Bank of Pakistan to increase the authorized share capital of the Bank to Rs. 50,000,000,000 by creation of 4,449,950,000 shares of Rs. 10 each and to pass the following special resolutions:

'RESOLVED that the Authorized Share Capital of the Bank be increased from Rs. 5,500,500,000 divided into 550,050,000 shares of Rs. 10 each to Rs. 50,000,000,000 divided into 5,000,000,000 shares of Rs. 10 each and Clause V of the Memorandum of Association and Article 6 of the Articles of Association be amended by replacing the amount of authorized capital.

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

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

By Order of the Board

Karachi: March 01, 2008

Muhammad Yousuf Amanullah
Company Secretary

Notes:

- (i) Share transfer books of the Bank will remain closed from March 22, 2008 to March 28, 2008 (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.

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

This statement sets out the material facts concerning the Resolutions contained in item (4) of the Notice pertaining to the special business to be transacted at the Annual General Meeting of the Bank to be held on March 29, 2008.

Increase in Authorized Capital

In order to meet the requirements of State Bank of Pakistan to increase the paid up capital of the commercial banks to Rs. 6 billion by December 31, 2009, the capital clauses of Memorandum & Articles of Association of the Bank are required to be altered so as to increase the authorized capital of the Bank from Rs. 5,500,500,000 divided into 550,050,000 shares of Rs. 10 each to Rs. 50,000,000,000 divided into 5,000,000,000 shares of Rs. 10 each to enable the Bank to increase its paid-up capital as and when required. Under Section 92(1) of the Companies Ordinance, 1984 the Bank may alter the clause of Memorandum of Association so as to inter alia increase the share capital by such amount as it thinks expedient.

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



DIRECTORS' REPORT

We are pleased to present the Second Annual Report of JS Bank Limited ("JSBL") along with the audited accounts and Auditors' report thereon for the year ended December 31, 2007.

JS Bank Limited was a new banking company incorporated on March 15, 2006. On December 30, 2006, by virtue of the Sanction Order issued by the State Bank of Pakistan, Jahangir Siddiqui Investment Bank Limited and the Pakistan Operations of American Express Bank Limited were merged and amalgamated with and into JS Bank Limited with a network of four branches. During the year 2007, five more online branches were added bringing the total number to nine.

Economic Review:

Pakistan's economy continues to grow at a tremendous pace with real GDP growth rate accelerating to 7% in FY07, the third highest in Asia behind China and India. This growth momentum has propelled the country into one of the most energetic and vibrant economies by achieving a 5 year (FY03-07) average GDP growth rate of 7%. While major economic fundamentals remain strong, rising commodity prices and the consequent inflationary pressures pose some concerns to overall macroeconomic stability.

The banking sector has continued to benefit from the broad based economic reforms and favorable economic policies in recent times. As a result, unprecedented interest has been witnessed in the sector with high profile mergers and acquisitions over the last few years. Going forward, aggressive marketing coupled with rising per capita income is expected to provide significant growth opportunities especially in the consumer banking arena.

Financial Performance Review

During the year, your bank attained an after tax profit of Rs 35 million. Total assets of the bank showed an upward trend since December 31, 2006 and have reached to Rs 20.33 billion registering a growth of 62%. The bank has built an advances portfolio of Rs 6.47 billion, which for a new bank can be termed as a significant achievement. The deposit based has risen from Rs 7.19 billion to Rs 13.68 billion reflecting an increase of 90%.

Summarized financial data of your bank is as follows:

	Rupees in '000	
	2007	2006
Deposits and other accounts	13,679,898	7,198,149
Investments	6,109,536	2,582,096
Advances	6,475,963	1,692,831
Profit / (Loss) after tax	35,431	(417)*

*as the bank was formed on December 30, 2006, the profit and loss account had been prepared for one day only.

With all divisions expanding their operations and delivering robust performances, your bank has moved one step ahead in developing a niche for itself. The Investment banking division played an active role and achieved impressive results during the year. The Corporate division revealed significant improvement during the year as advances and deposits witnessed a strong growth and trade volume increased significantly. Performance of the Retail banking group has also been strong as improvements were made at every front with considerable increase in asset base and deposits. Treasury made impressive progress during the year with its primary dealership rated amongst the best in the industry.

The bank is set to implement Basel II in line with the State Bank's defined timelines. Basel II for your bank is more than compliance as it is actually a business opportunity whereby improvement in risk management practices would result in calculated and prudent risk decisions, and optimal utilization of capital.

Business / Product Development

JS Bank believes in the philosophy that customers are always welcome. Consequently, all the products and services being offered by JS Bank Limited have been tailored according to the client's preferences ensuring their complete satisfaction. Besides its existing product lines and services range, JS Bank Limited is continuously launching new products and services in order to cater to emerging market needs and acquire strong competitive edge over its competitors.

The economic outlook for the coming year is promising. Our bank is determined to grow in line with the economy and is well placed to seize the existing and future opportunities presented within the economy. We aim to pursue our customer lead strategy and bring innovation in products to enter new customer segments. We are set to realize good revenue growth for the upcoming year. We have focused on quality, integrity and dedication and have been able to lead the way. We believe our strong performance is sustainable and we are well positioned for even stronger performance in the future.

Future outlook

During the last few years the banking sector in Pakistan has experienced significant growth, reflected by increased deposit mobilization and development of innovative consumer banking products.

During the year 2008, the bank has plans to diversify its operations by introducing new consumer finance products to enhance its market share for better results. Moreover, your bank has also got the permission to open branches / sub-branches across the country and we are hopeful that by the end of the year 2008, JS Bank's presence will be made in remote, less urban and urban areas of the country.

Auditors

The retiring auditors M/s Ford Rhodes Sidat Hyder & Co. Chartered Accountants, being eligible, offer themselves for re-appointment. The Audit Committee of the Bank has recommended their re-appointment till the conclusion of next AGM.

Credit Rating

The Pakistan Credit Rating Agency (Pvt.) Ltd. has assigned the long term credit rating of the Bank at A- ("Single A minus") and the short term rating at A2 ("A Two"). The ratings denote a low expectation of credit risk emanating from a strong capacity for timely repayment of financial commitments.

Statement on Internal Controls

Management of JS Bank Limited is fully responsible for establishing and maintaining adequate controls and procedures.



The bank's management fully recognizes this responsibility and appreciates its value significance. Accordingly, policies and procedures encompassing various functional and administrative areas have been developed and circulated across all pertinent levels of the organization. These policies and procedures are first approved by the senior management and thereafter forwarded to the Board of Directors for final approval. The bank's internal audit function keeps monitoring compliance with these policies and procedures and regularly apprises the Board on the same through the Audit Committee.

JS Bank has thus operated a system of internal control which provides reasonable assurance of effective and efficient operations covering major controls, including financial and operational controls and compliance with laws and regulations.

Risk Management Framework

The bank has been proactive in adopting measures to manage, monitor and mitigate risks associated with the banking activities and has placed great emphasis in the development of an effective risk management framework which contributes towards the effective allocation of the Bank's Capital. The Integrated Risk Management Committee (IRMC) and Assets & Liabilities Committee (ALCO) operate within an established framework in order to monitor the bank's activities and maintain the business risk level within predefined limits. These committees meet on a regular basis to review market development and the level of financial risk exposure to the Bank. A sound structure of Board's Sub-committee on Risk is also in place which keeps an eye on the overall risk profile of the bank.

The bank has a comprehensive risk management framework commensurate with the nature of its business, which includes;

- a) Clearly defined risk management policies and procedures covering risk identification, acceptance, measurement, monitoring, reporting and control;
- b) A well constituted centralized organizational structure defining roles and responsibilities of individuals involved in risk taking as well as managing it.
- 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. Any deviation from the approved standards is explicitly approved by the competent level of authorities.
- d) A mechanism to ensure an on-going review of systems, policies and procedures for risk management and procedures to adopt changes.
- e) Development of comprehensive policies in areas such as Credit, Market and Operational Risks.
- f) Engagement of renowned consultants (Ernst & Young International) to assist the bank with Basel II initiative so as to be compliant with SBP's Basel II requirements.

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 (SECP) 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 control 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. There were no trades in the shares of the Bank, carried out by Directors, CEO, Company Secretary and CFO and their spouses and dependents except for the allocation of 1,483,745 right sharers as approved by the Board.

Employee Benefits Scheme

The Bank operates a funded provident scheme covering all its permanent employees. The un-audited balance of the fund as at December 31, 2007 was Rs 16.153 million.

Board Meetings

Eight meetings of the Board of Directors were held during the Year 2007. The attendance of directors at Board Meetings is as follows:

Name of Director	Eligible to attend	Meetings attended
Jahangir Siddiqui, Chairman	8	7
Mazharul Haq Siddiqui	8	4
Maqbool A. Soomro	8	5
Ashraf Nawabi (appointed on August 25, 2007)	3	1
Rafique R. Bhimjee (appointed on August 25, 2007)	3	2
Syed Amjad Ali (appointed on August 25, 2007)	3	3
Basir Shamsie	8	7
Naveed Qazi, President & CEO	8	8
Munaf Ibrahim (resigned on August 25, 2007)	5	3
Stephen Christopher Smith (resigned on August 25, 2007)	5	5
Suleman Lalani (resigned on August 25, 2007)	5	4
Muhammad Yousuf Amanullah (resigned on March 30, 2007)	2	2
Zainul Abidin Memon, (resigned on March 30, 2007)	2	2



Pattern of Shareholding

Statement of Pattern of Shareholding as on December 31, 2007 appears on Page No. 71 and includes the transactions carried out by Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary and their spouses and minor children.

Right Issue

The process relating to 50% issue of right shares at par has been completed successfully. The said issuance has enabled JS Bank to comply with the minimum capital requirement, as laid down by the State Bank of Pakistan up till December 31, 2008. Availability of further equity will enable us to explore permissible business avenues for ultimate increase in earnings of the Bank.

Information Technology

We strongly believe that the future of JS bank is dependent on a state-of-art technology. A robust core banking system having up to date MIS is a key requirement for growth and control. The Core Banking System (T24) project is well underway and is slated for 1st phase implementation on April 1, 2008. Temenos is a software company based in Geneva, Switzerland and its T24 core banking software is rated as the leading product worldwide with over 500 installed sites worldwide. The T24 software is considered as the most technologically advanced integrated banking system available worldwide which integrates with all major technology platforms including Oracle, Windows, UNIX, Linux, etc.

We have selected the full suite of T24 modules covering all business function areas of the Bank. It will enable the bank to bring to market new products very quickly and scale upwards both in terms of transaction volumes and customer services.

Acknowledgement

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

For and on behalf of the Board of Director

Jahangir Siddiqui
Chairman

Karachi: February 29, 2008

Statement of Compliance with the best practices of Corporate Governance Period ended December 31, 2007

This statement is being presented to comply with the Code of Corporate Governance as required under Prudential Regulation No. G-1 - Responsibilities of the Board of Directors, vide BSD Circular No.15 dated June 13, 2002 for the purposes of establishing a framework of good governance, whereby a Bank is managed in compliance with the best practices of Corporate Governance.

1. The Bank encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes six non-executive directors including three independent directors. There are no directors representing minority shareholders.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies including the Bank.
3. All the resident directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Development Financial Institution (DFI) or a Non Banking Finance Company (NBFC) or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Casual vacancy occurring in the Board on August 25, 2007 was filled up by the Board of Directors on August 25, 2007.
5. The Bank has prepared a Statement of Ethics and Business practices, which has been signed by all the Directors and employees of 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. The Board members have been provided an orientation course to apprise them of their duties and responsibilities.
9. The Board has approved appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the CEO.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The Financial Statements of the Bank were duly endorsed by CEO and CFO before approval of the Board.



13. The directors, CEO and executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.
14. The Bank has complied with all the corporate and financial reporting requirements of the code as applicable during the period.
15. The Board has formed an audit committee. It comprises three members, of whom all are non-executive directors including the Chairman of the committee.
16. The meetings of the Audit Committee were held once every quarter prior to the approval of interim and final results of the Bank as required by the Code. The terms of reference of the committee have been framed by the Board and the Audit Committee operates within the defined terms of reference.
17. The Board has set up an effective internal audit function consisting of a full time internal auditor who is suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Bank.
18. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the code have been complied with.

For and on behalf of the Board

Naveed Qazi
President & Chief Executive Officer

Karachi: February 29, 2008

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 **December 31, 2007** prepared by the Board of Directors of **JS Bank Limited** (the Company) to comply with the Listing Regulation No. 37 (Chapter XI) of the Karachi Stock Exchange, where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Company's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement does not appropriately reflect the status of the Company's compliance, in all material respects, with the best practices contained in the Code for the year ended **December 31, 2007**.

Karachi: February 29, 2008

Ford Rhodes Sidat Hyder & Co.
CHARTERED ACCOUNTANTS



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of JS BANK LIMITED (the bank) as at December 31, 2007 and the related profit and loss account, cash flow statement and statement of changes in equity, together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended 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);
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been draw up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the change in accounting policy as stated in note 6.1 with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of the bank's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the bank and the transactions of the bank which have come to our notice have been within the powers of the bank;
- (c) in our opinion and to the best of our information and according to the explanations given to us the balance sheet, profit and loss account, cash flow statement and statement of changes in equity, together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the bank's affairs as at December 31, 2007 and its true balance of the profit, 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.

Karachi: February 29, 2008

Ford Rhodes Sidat Hyder & Co.
CHARTERED ACCOUNTANTS

Balance Sheet

As at December 31, 2007

	Note	December 31, 2007	December 31, 2006
----- Rupees in '000 -----			
ASSETS			
Cash and balances with treasury banks	7	977,235	1,912,648
Balances with other banks	8	254,079	1,463,280
Lendings to financial institutions	9	3,601,211	2,825,912
Investments	10	6,109,536	2,582,096
Advances	11	6,475,963	1,692,831
Operating fixed assets	12	491,736	379,584
Deferred tax assets	13	126,525	26,250
Other assets	14	2,291,467	1,662,854
		20,327,752	12,545,455
LIABILITIES			
Bills payable	15	727,179	610,623
Borrowings	16	481,147	800,005
Deposits and other accounts	17	13,679,898	7,198,149
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	18	245,721	932,870
		15,133,945	9,541,647
NET ASSETS		5,193,807	3,003,808
REPRESENTED BY			
Share capital	19	5,106,337	3,004,225
Reserves		7,086	-
Unappropriated profit / (accumulated loss)		27,928	(417)
		5,141,351	3,003,808
Surplus on revaluation of assets - net of tax	20	52,456	-
		5,193,807	3,003,808
CONTINGENCIES AND COMMITMENTS		21	

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

Jahangir Siddiqui
Chairman

Naveed Qazi
President and Chief Executive

Rafique R. Bhimjee
Director

Basir Shamsie
Director



Profit and Loss Account

For the year ended December 31, 2007

		For the year ended December 31, 2007	For the day of December 31, 2006
	Note	----- Rupees in '000 -----	
Mark-up / Return / Interest Earned	23	1,130,383	2,050
Mark-up / Return / Interest Expensed	24	864,300	1,554
Net Mark-up / Interest Income		266,083	496
Provision against non-performing loans and advances	11.4	8,973	-
Provision for diminution in the value of investments	10.1	754	-
Bad debts written off directly		-	-
		9,727	-
Net Mark-up / Interest Income after provisions		256,356	496
NON MARK-UP / INTEREST INCOME			
Fee, Commission and Brokerage Income	25	126,542	50
Dividend Income		92,813	-
Income from dealing in foreign currencies		48,451	51
Gain on sale of securities - net	26	148,891	-
Unrealized loss on revaluation of investments classified as held for trading		(4,123)	-
Other income		5,766	-
Total non-mark-up / interest income		418,340	101
		674,696	597
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	27	736,263	1,003
Other provisions / write offs		-	-
Other charges	28	654	-
Total non-mark-up / interest expenses		736,917	1,003
		(62,221)	(406)
Extra ordinary / unusual items		-	-
LOSS BEFORE TAXATION		(62,221)	(406)
Taxation - Current	29	(6,556)	(11)
- Prior years		-	-
- Deferred	13	104,208	-
		97,652	(11)
PROFIT / (LOSS) AFTER TAXATION		35,431	(417)
Loss brought forward		(417)	-
Profit available for appropriation / (loss)		35,014	(417)
Basic Earnings per share	(Rupee)	30	0.09
Diluted Earnings per share	(Rupee)	30	0.09

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

Jahangir Siddiqui
Chairman

Naveed Qazi
President and Chief Executive

Rafique R. Bhimjee
Director

Basir Shamsie
Director

Cash Flow Statement

For the year ended December 31, 2007

	For the year ended December 31, 2007	For the period from March 15, 2006 to December 31, 2006
	----- Rupees in '000 -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(62,221)	(406)
Less: Dividend income	(92,813)	-
	<u>(155,034)</u>	<u>(406)</u>
Adjustments:		
Depreciation	29,856	71
Amortisation of goodwill	-	201
Amortisation of intangibles	191,839	527
Amortisation of deferred cost	6,736	4
Charge for defined benefit plan	7,239	-
Unrealised loss on revaluation of investments classified as held for trading	4,123	-
Reversal of provision against non-performing advances	(5,095)	-
Provision against non-performing advances	14,068	-
Provision for impairment in the value of investments	754	-
Gain on sale of fixed assets	(5,766)	-
	<u>243,754</u>	<u>803</u>
	88,720	397
Increase in operating assets		
Lendings to financial institutions	(775,299)	-
Held for trading securities	(115,367)	-
Advances	(4,792,105)	-
Other assets	(609,187)	(1,244)
	<u>(6,291,958)</u>	<u>(1,244)</u>
Increase / (decrease) in operating liabilities		
Bills payable	116,556	-
Borrowings	(328,845)	-
Deposits	6,481,749	-
Amount paid to American Express Bank Limited, New York as per transfer agreement	-	(276,683)
Other liabilities	(694,388)	1,754
	<u>5,575,072</u>	<u>(274,929)</u>
	(716,886)	(276,173)
Income tax paid	(32,718)	(94)
Net cash flow from operating activities (Balance c/f)	<u>(660,884)</u>	<u>(275,870)</u>



Cash Flow Statement

For the year ended December 31, 2007

	For the year ended December 31, 2007	For the period from March 15, 2006 to December 31, 2006
Note	----- Rupees in '000 -----	
Net cash flow from operating activities (Balance b/f)	(660,884)	(275,870)
CASH FLOW FROM INVESTING ACTIVITIES		
Net investment in available for sale securities	(3,361,361)	-
Dividend income	92,813	-
Investment in operating fixed assets	(339,130)	-
Sale proceeds of property and equipment disposed-of	11,849	-
Net cash flow from investing activities	(3,595,829)	-
CASH FLOW FROM FINANCING ACTIVITIES		
Issue of share capital	2,102,112	240,100
Amount received from Jahangir Siddiqui Investment Bank Limited prior to amalgamation	-	300,007
Net cash flow from financing activities	2,102,112	540,107
Effects of exchange rate changes on cash and cash equivalents	-	-
(Decrease) / increase in cash and cash equivalents	(2,154,601)	264,237
Cash and cash equivalents at beginning of the year / period	3,375,923	-
Cash and cash equivalents acquired upon amalgamation from JSIBL	-	196,032
Cash and cash equivalents acquired upon amalgamation from American Express Bank Limited - Pakistan Operations	-	2,915,654
Cash and cash equivalents at end of the year / period	1,221,322	3,375,923
31		

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

Jahangir Siddiqui
Chairman

Naveed Qazi
President and Chief Executive

Rafique R. Bhimjee
Director

Basir Shamsie
Director

Statement of Changes in Equity

For the year ended December 31, 2007

	Issued, subscribed and paid-up share capital	Statutory reserve	Unappropriated Profit / Accumulated loss	Total
	----- Rupees in '000 -----			
Issue of ordinary shares of Rs.10/- each against cash	240,100	-	-	240,100
Issue of ordinary shares of Rs.10/- each upon amalgamation to the shareholders of JSIBL	2,764,125	-	-	2,764,125
Loss for the period	-	-	(417)	(417)
Balance as at December 31, 2006	3,004,225	-	(417)	3,003,808
Issue of ordinary shares of Rs.10/- each against cash	2,102,112	-	-	2,102,112
Net profit for the year	-	-	35,431	35,431
Transfer to statutory reserve	-	7,086	(7,086)	-
Balance as at December 31, 2007	5,106,337	7,086	27,928	5,141,351

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

Jahangir Siddiqui
Chairman

Naveed Qazi
President and Chief Executive

Rafique R. Bhimjee
Director

Basir Shamsie
Director



NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2007

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 JSBL is situated at Shaheen Commercial Complex, Dr. Ziauddin Ahmed Road, Karachi and it operates with nine branches in Pakistan. The Pakistan Credit Rating Agency (Private) Limited (PACRA) has assigned the long term credit rating of the bank at A- ("Single A minus") and the short term rating at A2 ("A Two").
- 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, during the previous year, 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.

Accordingly, comparative figures in these financial statements are for the day of December 31, 2006.

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 banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually 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 as per 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. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by SBP.

3.3 Accounting standards not yet effective

The following new standards and amendments of approved accounting standards are applicable in Pakistan from the dates mentioned below against the respective standard or amendment:

Standard or Interpretation	Effective date (accounting periods beginning on or after)
IAS - 1 (Revised) Presentation of Financial Statements	January 01, 2009
IAS - 23 (Revised) Borrowing Costs	January 01, 2009
IAS - 27 Consolidated and Separate Financial Statements	January 01, 2009
IAS - 41 Agriculture	May 22, 2007
IFRS - 3 Business Combinations	January 01, 2009
IFRIC - 11 Group and Treasury Share Transactions	March 01, 2007
IFRIC - 12 Service Concession Arrangements	January 01, 2008
IFRIC - 13 Customer Loyalty Programs	July 01, 2008
IFRIC - 14 The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interactions	January 01, 2008

The bank expects that the adoption of the above standards and interpretations will have no material impact on the bank's financial statements in the period of initial application. They do, however, give rise to additional disclosures, including in some cases revisions to accounting policies.

In addition to the above, the following new standards have been issued by the IASB but have not yet been adopted by the Institute of Chartered Accountants of Pakistan or notified by the SECP and hence presently do not form part of the local financial reporting framework

- IFRS - 4 Insurance Contracts
- IFRS - 7 Financial Instruments: Disclosures
- IFRS - 8 Operating Segments



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

During the current year, the bank has changed its accounting policy in respect of accounting for goodwill consequent upon the notification issued by the SECP regarding applicability of IFRS - 3 "Business Combinations". In accordance with the new policy, goodwill arising on business combination is carried at cost less any impairment in value. Previously, goodwill was amortised using the straight line method over its estimated useful economic life, not exceeding 20 years commencing from the effective date of acquisition in accordance with the superseded IAS - 22 "Business Combinations".

The said change in accounting policy has been applied prospectively in accordance with the transitional provisions of IFRS - 3. Accordingly, the bank has discontinued amortisation of goodwill with effect from January 1, 2007 and the carrying value of the goodwill as of the said date would be tested for impairment on an annual basis.

Had there been no change in the above accounting policy, the loss before taxation for the year would have been higher by Rs.73.191 million and total assets of the bank would have been reduced by the same amount.

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 debentures, participation term certificates and term finance certificates) is made after considering impairment, if any, in their value. Provision for diminution in value of debentures, participation term certificates and 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, lending to financial institutions, investments, advances, certain receivables, bills payable, borrowings from financial institutions, deposits and other payables. The particular recognition methods adopted for significant financial assets and liabilities are disclosed in the individual policy statements associated with these assets and liabilities.

6.6.2 Derivative financial instruments

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

6.7 Off-setting of financial assets and financial liabilities

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

6.8 Advances

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

6.9 Operating fixed assets and depreciation

Property and equipment – owned

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

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

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

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

Intangible

Intangible assets are stated at cost less accumulated amortization and impairment, if any, except for stock exchange membership card which is carried at cost less 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.



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, 2007, 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 acquiree 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 nine branches and operates only in Pakistan.

6.19 Assets acquired in satisfaction of claims

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

6.20 Fiduciary assets

Assets held in a fiduciary capacity are not treated as assets of the bank in balance sheet.

	Note	December 31, 2007	December 31, 2006
Rupees in '000			
7. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		101,619	78,922
Foreign currencies		43,403	75,642
		145,022	154,564
With State Bank of Pakistan in			
Local currency current account		709,692	830,113
Foreign currency accounts			
- Cash reserve account - non remunerative	7.1	54,250	66,636
- Special cash reserve account - remunerative	7.2	54,250	198,688
- Local US dollar instruments collection and settlement account - remunerative	7.3	13,715	4,613
		831,907	1,100,050
AEBL's capital with State Bank of Pakistan	18.1	-	658,023
National Prize Bonds		306	11
		977,235	1,912,648

7.1 This represents current account maintained with SBP under the requirements of BSD Circular No. 18 dated March 31, 2001.

7.2 This represents deposit account maintained with SBP under the requirements of BSD Circular No. 18 dated March 31, 2001. Profit rates on this deposit account are fixed on a monthly basis by SBP. It carries profit ranging between 3.71% and 4.72% (2006: 3.39% and 4.39%) 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 State Bank of Pakistan. Profit rates on this account are fixed on a monthly basis by SBP. It carries profit ranging between 3.71% and 4.72% (2006: 3.39% and 4.39%) per annum.



	Note	December 31, 2007	December 31, 2006
----- Rupees in '000 -----			
8. BALANCES WITH OTHER BANKS			
In Pakistan			
On current accounts		36,205	261,218
On deposit accounts	8.1	159	190,923
		36,364	452,141
Outside Pakistan			
On current accounts		92,843	69,944
On deposit accounts	8.2	124,872	941,195
		217,715	1,011,139
		254,079	1,463,280

8.1 These carry mark up at the rate of 3.56% (2006: 1.00% to 11.80%) per annum.

8.2 This represents term placements outside Pakistan, carrying interest rates ranging between 2.60% and 3.51% (2006: 3.55% and 5.22%) per annum.

9. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	9.1	2,115,000	754,250
Repurchase agreement lendings (Reverse Repo)	9.2	1,486,211	2,071,662
		3,601,211	2,825,912

9.1 These represent unsecured call money lendings to financial institutions, carrying interest at the rates ranging between 9.85% and 11.50% (2006: 7.50% and 12.60%) per annum, with maturities up to March 2008.

9.2 These are short-term lendings to various financial institutions against the Government securities shown in note 9.4 below.

9.3 Particulars of lendings

In local currency	3,601,211	2,825,912
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9.4 Securities held as collateral against lendings to financial institutions

	Note	December 31, 2007		
		Held by bank	Further given as Collateral	Total
----- Rupees in '000 -----				
Market Treasury Bills	9.4.1	1,486,211	-	-

December 31, 2006		
Held by bank	Further given as Collateral	Total
----- Rupees in '000 -----		
Market Treasury Bills	1,871,662	1,871,662
Pakistan Investment Bonds	200,000	200,000
	2,071,662	2,071,662

9.4.1 These have been purchased under resale agreements at rates ranging between 9.90% and 9.95% (2006: 8.00% and 8.80%) per annum with maturities in January 2008. The fair value of these securities amounted to Rs.1,486,660 (2006: Rs.2,072.309) million as at December 31, 2007.

10. INVESTMENTS

December 31, 2007		
Held by bank	Given as Collateral	Total
----- Rupees in '000 -----		

10.1 Investments by type

Held for trading securities

Pakistan Investment Bonds	46,054	-	46,054
Ordinary Shares of listed companies	69,313	-	69,313
	115,367	-	115,367

Available for sale securities

Market Treasury Bills	2,920,855	472,370	3,393,225
Pakistan Investment Bonds	652,604	-	652,604
Ordinary Shares of listed companies	352,994	-	352,994
Preference Shares of listed company	95,503	-	95,503
Term Finance Certificates-listed	462,275	-	462,275
Term Finance Certificates-unlisted	677,707	-	677,707
Sukuk Certificates	15,000	-	15,000
Mutual Fund Units	293,349	-	293,349
	5,470,287	472,370	5,942,657

Total investments at cost

Less: Provision for diminution in value of investments

	5,585,654	472,370	6,058,024
	(754)	-	(754)
Investments (net of provision)	5,584,900	472,370	6,057,270
Deficit on revaluation of held for trading securities	(4,123)	-	(4,123)
Surplus on revaluation of available for sale securities	56,367	22	56,389
Total Investments at market value	5,637,144	472,392	6,109,536



	December 31, 2006		
	Held by bank	Given as Collateral	Total
	----- Rupees in '000 -----		
Investments by type			
Available for sale securities			
Market Treasury Bills	489,688	-	489,688
Pakistan Investment Bonds	592,379	-	592,379
Ordinary Shares of listed companies	201,202	-	201,202
Preference Shares of listed companies	109,645	-	109,645
Ordinary Shares of unlisted companies	81,859	-	81,859
Term Finance Certificates-listed	379,582	-	379,582
Term Finance Certificates-unlisted	322,760	-	322,760
Mutual Fund Units	404,981	-	404,981
Total investment at cost	2,582,096	-	2,582,096
Less: Provision for diminution in value of investments	-	-	-
Investments (net of provision)	2,582,096	-	2,582,096
Surplus/(deficit) on revaluation of available for sale securities	-	-	-
Total Investments at market value	2,582,096	-	2,582,096

10.2 Investments by Segments	Note	December 31, 2007	December 31, 2006
		----- Rupees in '000 -----	
Federal Government Securities:			
Market Treasury Bills	10.2.1	3,393,225	489,688
Pakistan Investment Bonds	10.2.2	698,658	592,379
Fully Paid Ordinary Shares			
Listed Companies	10.2.3	422,307	201,202
Unlisted Company	10.2.4	-	81,859
Fully Paid Preference Shares			
Listed Company	10.2.5	95,503	109,645
Term Finance Certificates			
Term Finance Certificates – Listed	10.2.5	462,275	379,582
Term Finance Certificates – Unlisted	10.2.6	677,707	322,760
Sukuk Certificates	10.2.7	15,000	-
Mutual fund units	10.2.8	293,349	404,981
Total investments at cost		6,058,024	2,582,096
Less: Provision for diminution in value of investments		(754)	-
Investments (net of provisions)		6,057,270	2,582,096
Deficit on revaluation of held for trading securities		(4,123)	-
Surplus on revaluation of available for sale securities		56,389	-
Total investments at market value		6,109,536	2,582,096

10.2.1 Market treasury bills are for a period of six to twelve months and carry a yield of 8.98% to 9.40% (2006: 8.81%) per annum with maturity up to August 2008. Market treasury bills and Pakistan Investment Bonds are eligible for re-discounting with the State Bank of Pakistan.

10.2.2 These represents Pakistan Investment Bonds (PIBs) with interest income receivable semi-annually at the rate ranging between 9.43% and 11.34% (2006: 6.0% and 9.60%) per annum with a maximum remaining term of 15 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
	2007	2006		2007	2006	2007	2006
Held for trading							
Bank Alfalah Limited	50,000	-	500	2,893	-	2,685	-
National Bank of Pakistan Limited	25,000	-	250	6,235	-	5,804	-
The Bank of Punjab Limited	100,000	-	1,000	10,265	-	9,780	-
MCB Bank Limited	25,000	-	250	10,742	-	9,999	-
Adamjee Insurance Company Oil and Gas Development Company Limited	20,000	-	200	7,723	-	7,167	-
Pakistan Petroleum Limited	25,000	-	250	3,140	-	2,986	-
Fauji Fertilizer Bin Qasim	50,000	-	500	12,914	-	12,253	-
Engro Chemical Pakistan Limited	100,000	-	1,000	4,630	-	4,205	-
	38,800	-	388	10,771	-	10,311	-
Available for sale securities							
United Bank Limited	223,500	-	2,235	37,058	-	38,643	-
National Bank of Pakistan	150,000	-	1,500	35,189	-	34,823	-
Pakistan Petroleum Limited	190,000	-	1,900	47,778	-	46,560	-
Oil and Gas Development Company Limited	225,000	-	2,250	26,044	-	26,876	-
Engro Chemical Pakistan Limited	169,900	-	1,699	48,096	-	45,151	-
Azgard Nine Limited - a related party	4,300,000	5,939,109	43,000	158,829	130,066	194,575	130,066
Pakistan International Container Terminal Limited - a related party	-	1,248,000	12,480	-	71,136	-	71,136
				<u>422,307</u>	<u>201,202</u>	<u>451,818</u>	<u>201,202</u>

10.2.4 During the current year, bank sold its investment in JS Infocom Limited, a related party, at a price of Rs.7.95 per share, realising a gain of Rs.3.598 million (refer note 26).

10.2.5 Details of investment in Preference shares - listed

Chenab Limited - 9.25% per annum

Cumulative Preference shares (note 10.2.5.1)	13,357,000	13,357,000	133,570	95,503	95,503	94,434	95,503
D.G. Khan Cement Limited - 10% per annum Cumulative Preference shares	-	1,512,542	15,125	-	14,142	-	14,142
				<u>95,503</u>	<u>109,645</u>	<u>94,434</u>	<u>109,645</u>



10.2.5.1 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. The investee company also has option to redeem, in part, cumulative preference shares after August 2008.

10.2.6 Details of investment in Term Finance Certificates - listed*

	No. of certificates 2007	No. of certificates 2006	Rating	Cost 2007	Cost 2006	Market value 2007	Market value 2006
----- Rupees in '000 -----							
United Bank Limited - unsecured	12,182	14,702	AA-	57,250	66,650	56,844	66,650
MCB Bank Limited - unsecured	46	46	AA	69	233	70	233
Pakistan Mobile Communication (Private) Limited	40	19,040	AA-	206	98,893	211	98,893
Trust Leasing & Investment Bank Limited - unsecured	2,000	-	AA-	3,841	-	3,842	-
Standard Chartered Pakistan Limited - 1st Issue	1,047	6,208	AA-	1,723	31,300	1,741	31,300
Crescent Standard Investment Bank Limited - overdue, unsecured	1,000	1,000	Suspended	754	1,356	-	1,356
Ittehad Chemicals Limited	2,000	2,000	A	3,347	5,046	3,339	5,046
Engro Chemical Pakistan Limited	79,017	-	AA-	395,085	-	400,089	-
Prime Commercial Bank Limited	-	66	A	-	333	-	333
Chanda Oil and Gas Securitization Company Limited	-	5,895	A	-	24,561	-	24,561
Hira Textile Mills Limited	-	4,994	A	-	25,205	-	25,205
Bank Alfalah Limited	-	2,512	A-	-	12,603	-	12,603
Crescent Leasing Corporation Limited	-	541	A-	-	2,732	-	2,732
First Dawood Investment Bank Limited - 2nd Issue	-	3,527	AA-	-	17,900	-	17,900
Sitara Chemical Industries Limited	-	471	AA-	-	817	-	817
Sui Southern Gas Company Limited - 2nd Issue	-	1,500	AA	-	1,261	-	1,261
Trust Leasing Corporation Limited	-	2,000	AA	-	7,204	-	7,204
WorldCall Communications Limited	-	10,240	AA-	-	14,839	-	14,839
Pakistan Services Limited	-	3,504	A-	-	10,055	-	10,055
Al Zamin Leasing Modaraba	-	5,800	A	-	18,734	-	18,734
Standard Chartered Pakistan Limited - 2nd Issue	-	8,400	AA-	-	39,860	-	39,860
				462,275	379,582	466,136	379,582

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

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

Name of the Company	Repayment frequency	Profit		Maturity Date
		Rate per annum		
United Bank Limited	Semi-annually	9.49%		March 15, 2013
MCB Bank Limited	Semi-annually	1.50% plus base rate (cut-off yield of the last successful SBP auction of five year PIBs) with 11.75% as floor and 15.75% as cap.		February 10, 2013
Pakistan Mobile Communication (Private) Limited	Semi-annually	6 months KIBOR ask rate plus 285 bps.		May 26, 2011
Trust Leasing & Investment Bank Limited	Semi-annually	6 months KIBOR ask rate plus 200 bps.		June 03, 2008
Standard Chartered Pakistan Limited - 1st issue	Semi-annually	2.25% plus base rate (cut-off yield of the latest successful SBP auction of five year PIBs) with 11.00% as floor and 15.50% as cap.		June 21, 2008
Crescent Standard Investment Bank Limited	Semi-annually	2.00% plus base rate (cut-off yield of the latest successful SBP auction of five year PIBs) with 12.00% as floor and 15.75% as cap.		July 08, 2007
Ittehad Chemicals Limited	Semi-annually	2.50% above SBP's discount rate with 7.00% as floor and 12.00% as cap.		June 27, 2008
Engro Chemical Pakistan Limited	Semi-annually	6 Months KIBOR offer rate plus 1.55%.		November 30, 2015

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

Name of the Company	No. of certificates	No. of certificates	Rating	Face value per certificate Rupees	Cost	Cost
	2007	2006			2007	2006
Escorts Investment Bank Limited	10	10	A+	5,000,000	33,307	49,960
Pakistan Mobile Communication (Private) Limited	2,850	5,700	AA-	5,000	11,400	22,800
UIG (Private) Limited	25	25	* N/A	10,000,000	250,000	250,000
First Dawood Investment Bank Limited	10,000	-	AA-	5,000	50,000	-



Name of the Company	No. of certificates	No. of certificates	Rating	Face value per certificate	Cost	Cost
	2007	2006		Rupees	2007	2006
Kunjah Textile Mills Limited	1,600	-	* N/A	5,000	8,000	-
Trakker (Private) Limited	100,000	-	A	250	25,000	-
Related parties						
Azgard Nine Limited	30,000	-	AA-	5,000	150,000	-
Pak American Fertilizer Limited	30,000	-	AA-	5,000	150,000	-
					677,707	322,760

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

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

Name of the Company	Repayment frequency	Profit		Maturity Date
		Rate per annum		
Escorts Investment Bank Limited (Chief Executive: Mr. Rashid Mansur)	Semi-annually	275 bps over six months KIBOR with floor at 5% and cap at 10%.		September 27, 2009
Pakistan Mobile Communication (Private) Limited (Chief Executive: Mr. Zouhair Abdul Khaliq)	Semi-annually	2.25% above the average of the last three, six-months Treasury Bill cut-off yields with 6.00% as floor and 12.00% as cap.		September 16, 2008
First Dawood Investment Bank Limited (Chief Executive: Mr. Rafique Dawood)	Semi-annually	6 month KIBOR offer rate plus 1.60 %.		September 11, 2012
UIG (Private) Limited (Chief Executive: Muhammad Akhtar Qureshi)	Semi-annually	3.00 % above KIBOR with a floor of 13.00 % and no cap.		June 30, 2008
Kunjah Textile Mills Limited (Chief Executive: Mr. Shafay Hussain)	Semi-annually	300 bps over average six months KIBOR offer rate.		March 23, 2014
Trakker (Private) Limited (Chief Executive: Mr. Ali Jameel)	Semi-annually	350 bps over average six months KIBOR offer rate.		July 11, 2011
Related Parties				
Pak American Fertilizer Limited (Chief Executive: Mr. Aalijah)	Semi-annually	6 month KIBOR offer rate plus 1.75%.		November 29, 2014
Azgard Nine Limited (Chief Executive: Mr. Ahmed H. Shaikh)	Semi-annually	6 Months KIBOR offer rate plus 2.25%.		December 4, 2014

10.2.8 This represents investment made in 3,000 Sukuk Certificates having face value of Rs.5,000 each issued by Karachi Shipyard and Engineering Works Limited, carrying mark-up at the rate of six months KIBOR plus 0.4% per annum and maturing on November 02, 2015.

10.2.9 Mutual Fund units

Name of the Fund	No. of units		Rating	value per certificate (Rupees)	Cost		Market value	
	2007	2006			2007	2006	2007	2006
First Dawood Mutual Fund	309	3,519,809	4-Star	10	2	22,351	2	22,351
Related parties								
JS Value Fund [formerly BSJS Balanced Fund]	8,745,668	8,745,668	5-Star	10	99,701	99,701	123,314	99,701
UTP Large Capital Fund	24,205,790	24,205,790	4-Star	10	193,646	193,646	196,067	193,646
Crosby Dragon Fund	-	957,972	3-Star	100	-	89,283	-	89,283
					<u>293,349</u>	<u>404,981</u>	<u>319,383</u>	<u>404,981</u>

December 31, December 31,
2007 2006
----- Rupees in '000 -----

11. ADVANCES

Loans, cash credit, running finances, etc. - in Pakistan		4,452,950	607,765
Bills discounted and purchased (excluding treasury bills) payable in Pakistan		147,938	109
Financing in respect of continuous funding system	11.2	1,992,747	1,193,656
Advances - gross		<u>6,593,635</u>	<u>1,801,530</u>
Provision for non-performing advances - specific	11.4	(113,604)	(108,699)
Provision for non-performing advances - general	11.4	(4,068)	
		<u>(117,672)</u>	<u>(108,699)</u>
Advances - net of provision		<u>6,475,963</u>	<u>1,692,831</u>

11.1 Particulars of advances (Gross)

11.1.1 In local currency		6,500,635	1,801,530
In foreign currency		93,000	-
		<u>6,593,635</u>	<u>1,801,530</u>
11.1.2 Short term (for up to one year)		5,793,772	1,775,700
Long term (for over one year)		799,863	25,830
		<u>6,593,635</u>	<u>1,801,530</u>

11.2 The fair value of the securities held in respect of continuous funding system as on December 31, 2007 amounted to Rs.1,887.687 (2006: Rs.1,152.349) million.



11.3 Advances include Rs.143.604 (2006: Rs.108.699) million which have been placed under non-performing status as detailed below:-

Category of Classification		December 31, 2007				
		Note	Domestic	Overseas	Total	Provision Required
-----Rupees in '000-----						
Other Assets Especially Mentioned						
Substandard	11.3.1	40,000	-	40,000	10,000	10,000
Doubtful		-	-	-	-	-
Loss		103,604	-	103,604	103,604	103,604
		<u>143,604</u>	<u>-</u>	<u>143,604</u>	<u>113,604</u>	<u>113,604</u>

11.3.1 This represents call lending, amounting to Rs.40.00 million, provided to a borrower against which the bank had made a provision of Rs.10 million during the current year. Further, in May 2007, this lending was restructured by the bank. Upon receiving relaxation under R-4.2(d) and R-8 of the Prudential Regulations for Corporate / Commercial Banking from the SBP vide its letter No. BPRD/BRD-3/Corp/2007/7534, dated July 24, 2007. Accordingly, the bank has reclassified the said lending as an unsecured loan.

Category of Classification		December 31, 2006				
		Domestic	Overseas	Total	Provision Required	Provision Held
-----Rupees in '000-----						
Other Assets Especially Mentioned						
Substandard		-	-	-	-	-
Doubtful		-	-	-	-	-
Loss		108,699	-	108,699	108,699	108,699
		<u>108,699</u>	<u>-</u>	<u>108,699</u>	<u>108,699</u>	<u>108,699</u>

11.4 Particulars of provision against non-performing advances

	December 31, 2007			December 31, 2006		
	Specific	General	Total	Specific	General	Total
-----Rupees in '000-----						
Opening balance	108,699	-	108,699	108,699	-	108,699
Charge for the year	10,000	4,068	14,068	-	-	-
Amounts written off	-	-	-	-	-	-
Reversals	(5,095)	-	(5,095)	-	-	-
	4,905	4,068	8,973	-	-	-
Closing Balance	<u>113,604</u>	<u>4,068</u>	<u>117,672</u>	<u>108,699</u>	<u>-</u>	<u>108,699</u>

	December 31, 2007			December 31, 2006		
	Specific	General	Total	Specific	General	Total
	-----Rupees in '000-----			-----Rupees in '000-----		
In local currency	113,604	4,068	117,672	108,699	-	108,699
In foreign currencies	-	-	-	-	-	-
	<u>113,604</u>	<u>4,068</u>	<u>117,672</u>	<u>108,699</u>	<u>-</u>	<u>108,699</u>

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

There have been no loan write offs or any other financial relief allowed to a person during the year ended December 31, 2007 of Rs. 500,000 or above that require disclosure in terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962.

	Note	December 31, December 31,	
		2007	2006
		----- Rupees in '000 -----	
11.6 Particulars of loans and advances to directors, associated companies, subsidiaries, etc.			

Debts due by directors, executives or officers of the bank or any of them either severally or jointly with any other persons:

Balance at the beginning of the year	1,052	-
Loans granted during the year	88,381	1,052
Repayments	(12,321)	-
Balance at the end of the year	<u>77,112</u>	<u>1,052</u>

12. OPERATING FIXED ASSETS

Capital work-in-progress	12.1	90,440	4,256
Property and equipment	12.2	295,179	78,172
Intangible assets	12.3	106,117	297,156
		<u>491,736</u>	<u>379,584</u>

12.1 Capital work-in-progress

Property and equipment

Civil works	10,590	-
Advance for purchase of vehicles	5,458	4,256
Advance for purchase of equipment	1,655	-

Intangible

Computer software	72,737	-
	<u>90,440</u>	<u>4,256</u>

12.2 Property and equipment

	COST		ACCUMULATED DEPRECIATION				Book value as at December 31, 2007	Rate %	
	As at January 1, 2007	Disposals during the year	As at December 31, 2007	As at January 1, 2007	On Disposals	For the year			
	Rupees in '000								
Building on lease hold land - note 12.2.1	40,138	-	100,138	-	-	2,657	2,657	97,481	2.3-4.78
Lease hold improvements	31,626	-	83,253	16,958	-	3,691	3,691	62,604	10
Furniture and fixture	20,878	(68)	31,040	12,196	(23)	2,203	2,203	16,664	10-20
Electrical, office and computer equipment	85,329	(7,486)	135,338	75,985	(7,062)	9,192	9,192	57,223	12.5-33.3
Vehicles	18,302	(16,735)	75,161	12,962	(11,121)	12,113	12,113	61,207	20
	196,273	(24,289)	424,930	118,101	(18,206)	29,856	29,856	295,179	

	COST		ACCUMULATED DEPRECIATION				Book value as at December 31, 2006	Rate %	
	As at March 15, 2006	Acquired upon Amalgamation	As at December 31, 2006	As at March 15, 2006	Acquired upon Amalgamation	For the year			
	Rupees in '000								
Building on lease hold land	-	40,138	40,138	-	-	-	-	40,138	2.5-4.78
Lease hold improvements	-	31,626	31,626	-	16,958	-	-	14,668	10
Furniture and fixture	-	20,878	20,878	-	12,196	-	-	8,682	10-20
Electrical, office and computer equipment	-	1,607	85,329	-	75,940	45	45	9,344	12.5-33.3
Vehicles	-	1,554	18,302	-	12,936	26	26	5,340	20
	-	3,161	196,273	-	118,030	71	71	78,172	

12.2.1 Addition during the year represents the consideration paid by the bank in connection with the transfer of tenancy rights in favour of the bank in respect of the property at the Karachi Stock Exchange building. The ownership of the property rests with the Karachi Stock Exchange (KSE).

The bank has exercised the option given by the KSE to convert these tenancy rights into a lease for a period of 45 years. The lease agreement in this regard is in the process of being signed by both the parties. Accordingly, the above amount has been classified as a part of fixed assets of the bank.

12.2.2 Included in cost of property and equipment are fully depreciated items still in use having cost of Rs.74,059 (2006: Rs.70,082) million.

12.2.3 The fair value of property and equipment is not materially different from their carrying amount.

12.2.3 Details of disposal of fixed assets having written down value exceeding Rs.50,000 each

Particulars	Acquisition cost	Accumulated depreciation	Written down value	Sale proceeds	Profit/(loss)	Mode of disposal	Buyer's particulars
Motor Vehicles							
Suzuki Baleno	834	612	222	475	253	Negotiation	Mr. Ilyas Ahmed Karachi
Honda City	705	587	118	397	279	As per Bank policy	Mr. Sadiq Iman, Employee Karachi
Honda City	798	678	120	441	321	As per Bank policy	Mr. Junaid Ansari, Employee Karachi
Suzuki Cultus	560	476	84	259	175	As per Bank policy	Mr. Saifuddin, Employee Karachi
Honda Accord	1,554	130	1,424	1,214	(210)	As per Bank policy	Mr. Ashraf Shehzad, Employee Karachi
Honda City	829	622	207	400	193	Negotiation	JS Global Capital Limited - a related party 6th Floor, Faysal House, Shahra-e-Faisal, Karachi
Honda Civic	800	453	347	410	63	Negotiation	---- do ----
Toyota Corolla	969	113	856	969	113	Insurance claim	EFU General Insurance Limited - a related party Central Division, 1st Floor, Kashif Centre, Shahra-e-Faisal, Karachi
Honda Civic	1,506	151	1,355	1,506	151	Insurance claim	---- do ----
Toyota Corolla	969	162	807	969	162	Insurance claim	---- do ----

12.3 Intangible assets

Note	COST		ACCUMULATED AMORTIZATION			Book Value as at December 31, 2007	Rate %
	As at January 1, 2007	As at December 31, 2007	As at January 1, 2007	For the year	As at December 31, 2007		
12.3.1	21,000	21,000	-	-	-	21,000	
12.3.2	126,683	126,683	116	42,223	42,339	84,344	33.33
12.3.3	150,000	150,000	411	149,589	150,000	-	100
	-	800	-	27	27	773	10
	297,683	298,483	527	191,839	192,366	106,117	

Stock exchange card
Non-compete fee
Technical know how
Computer software

Note	COST		ACCUMULATED AMORTIZATION			Book Value as at December 31, 2006	Rate %
	As at March 15, 2006	As at December 31, 2006	As at March 15, 2006	For the year	As at December 31, 2006		
12.3.1	-	21,000	-	-	-	21,000	
12.3.2	-	126,683	-	116	116	126,567	33.33
12.3.3	-	150,000	-	411	411	149,589	100
	-	297,683	-	527	527	297,156	

Stock exchange card
Non-compete fee
Technical know how

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

12.3.2 This represent the non-compete fee, of Rs.150 million which was adjusted by Rs.23,317 million vide the stipulations stated in the agreement dated November 10, 2005 between the parties, paid to American Express Bank Limited, New York for a period of three years.

12.3.3 This represents costs of transfer of technical know how, provision of transitional services and technical support paid to AMEX for a period of one year.

		December 31, 2007	December 31, 2006
	Note	----- Rupees in '000 -----	
13. DEFERRED TAX ASSETS			
Deferred tax debits arising from:			
Unused tax losses	13.1 & 13.2	185,106	25,125
Provision against investments and loans	13.3	3,405	1,125
Deferred cost		1,886	-
Gratuity		2,513	-
Deferred tax credits arising due to:			
Fixed assets		(11,085)	-
Goodwill		(51,367)	-
Surplus on revaluation of assets		(3,933)	-
		126,525	26,250

13.1 Included herein is a sum of Rs.25.125 (2006: Rs.25.125) million representing deferred tax asset relating to Jahangir Siddiqui Investment Bank Limited 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 current year's tax loss.

13.2 Deferred tax asset, amounting to Rs.529.217 (2006: Rs.529.217) million, on unused tax losses of AEBL, has not been recognized in these financial statements as the bank is of the view that due to its operations being in the initial stages, these losses would be accounted for as and when the same are utilised. At the year end, these unused tax losses amounted to Rs.1,512.049 (2006: Rs.1,512.049) million.

13.3 During the year, the Seventh Schedule has been introduced for taxation of banks in Pakistan. Rules of the schedule inter alia provide that all provision for classified advances and off balance items created under the SBP Prudential Regulations except for the provisions falling under the category of "sub-standard" will be allowed as claimed in the financial statements. The Schedule is applicable for the year ending December 31, 2008. Currently, provisions for classified advances and off balance items are allowed as a deduction if they fulfill the criteria set out in section 29 of the Income Tax Ordinance, 2001. The Schedule, however, does not contain any transitory provisions with respect to reclaim or allowability of provisions made before the applicability of the Schedule which have either been voluntarily added back or disallowed by tax authorities in the past. The matter of introduction of such transitory provisions has been taken up with Federal Board of Revenue by Pakistan Banks Association and based on discussions to date the bank's management is confident that such provisions will be enacted in the Schedule. Accordingly, the deferred tax calculation assumes that the bank would be able to get the benefit of the asset so recognized on such provisions that have not been allowed as a deduction for tax purposes in the past.

14. OTHER ASSETS

Income / Mark-up accrued in local currency	190,002	48,648
Income / Mark-up accrued in foreign currency	1,374	24
Advances, deposits, advance rent and other prepayment	87,264	28,463
Taxation (payments less provision)	86,956	60,794
Receivable against sale of marketable securities	242,532	21,241
Stationery and stamps on hand	968	38
Prepaid exchange risk fee	508	732
Trustee fee receivable from a related party	866	-



	Note	December 31, 2007	December 31, 2006
Exchange difference on revaluation of forward foreign exchange contracts		9,014	357
Goodwill	14.1 & 14.2	1,463,624	1,463,624
Deferred costs	14.3	-	6,736
Advance in respect of investments - secured	14.4	200,000	25,535
Others		8,359	6,662
		<u>2,291,467</u>	<u>1,662,854</u>

14.1 Goodwill

As at 1st January		1,463,624	-
Arising on acquisition		-	1,463,825
Amortization charge for the period		-	(201)
At 31st December	14.1.1	<u>1,463,624</u>	<u>1,463,624</u>

14.1.1 This represents goodwill arising as a result of acquisition of operations of Jahangir Siddiqui Investment Bank Limited (JSIBL) and American Express Bank Limited (AEBL) Pakistan Operations (refer note 1.2), amortised by Rs.0.201 million upto December 31, 2006. However, as mentioned in note 6.17, the said goodwill is now subjected to impairment testing as required under International Accounting Standard 36, "Impairment of assets".

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

Key assumptions used in value in use calculation

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

	2007
Discount rate - discrete period	23.1%
Terminal growth rate	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 because, as well as using industry data for growth rates, management assess how the unit's position might change over the projected period. Management expects aggressive growth in advances, investments and deposits during the projected periods and thereafter stabilize in line with industry trends.

(d) Sensitivity to changes in assumptions

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

14.3 During the previous year, the bank incurred preliminary expenses in respect of incorporation and amalgamation with JSIBL and AEBL. Upto December 31, 2006, this cost was being amortized over a period of five years. However, during the current year, the management has written off the remaining unamortized portion due to the changes brought about in the revised Fourth Schedule to the Companies Ordinance, 1984.

14.4 This represents advance paid for subscription of:

- (a) privately placed Term Finance Certificates of Orix Investment Bank Limited, amounting to Rs.100 million, having a tenor of five years from the date of issue, with principal repayments in six semi annual installments carrying mark-up at the rate of six months KIBOR offer rate plus 140 bps.
- (b) privately placed diminishing musharika based Sukuk Certificates of Sitara Chemical Industries Limited, amounting to Rs.100 million, and having a tenor of five years from first drawdown, with principal repayments in quarterly installments, carrying profit at the rate of three months KIBOR offer rate plus 100 bps.

15. BILLS PAYABLE

Note	December 31, 2007	December 31, 2006
	----- Rupees in '000 -----	
In Pakistan	719,709	591,864
Outside Pakistan	7,470	18,759
	<u>727,179</u>	<u>610,623</u>



	Note	December 31, 2007 ----- Rupees in '000 -----	December 31, 2006
16. BORROWINGS			
In Pakistan		471,155	800,000
Outside Pakistan		9,992	5
		<u>481,147</u>	<u>800,005</u>
16.1 Particulars of borrowings with respect to Currencies			
In local currency		471,155	800,000
In foreign currencies		9,992	5
		<u>481,147</u>	<u>800,005</u>
16.2 Details of borrowings - unsecured			
Call borrowing		-	800,000
Repurchase agreement borrowing	16.2.1	471,155	-
Overdrawn nostro accounts	16.2.2	9,992	5
		<u>481,147</u>	<u>800,005</u>
16.2.1	This represents collateralized borrowing from a commercial bank, against market treasury bills, carrying mark-up at the rate of 9.37% per annum and would mature in February 2008.		
16.2.2	This represents borrowings of Rs.9.992 million (2006: Nil) from Habib American Bank, New York, outside Pakistan.		
17. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		6,354,276	3,018,679
Savings deposits		3,052,699	3,021,986
Current Accounts - Non-remunerative		1,580,919	1,146,794
Margin account		11,633	7,802
		<u>10,999,527</u>	<u>7,195,261</u>
Financial Institutions			
Remunerative deposits		2,588,667	-
Non-remunerative deposits		91,704	2,888
		<u>2,680,371</u>	<u>2,888</u>
		<u>13,679,898</u>	<u>7,198,149</u>
17.1 Particulars of deposits			
In local currency		12,528,073	5,745,095
In foreign currencies		1,151,825	1,453,054
		<u>13,679,898</u>	<u>7,198,149</u>

	Note	December 31, 2007 ----- Rupees in '000 -----	December 31, 2006
18. OTHER LIABILITIES			
Mark-up/ Return / Interest payable in local currency		91,897	88,402
Mark-up/ Return / Interest payable in foreign currency		374	947
Accrued expenses	18.1	98,499	54,935
Payable in respect of defined benefit plan		7,239	
Retention money		5,481	-
Customer insurance		8,323	-
Branch adjustment account		5,199	-
Unclaimed dividends		4,328	4,822
Government duties		1,189	-
Payable against purchase of marketable securities		-	3,255
Subscription amount received as banker to the issue		-	95,503
Payable to American Express Bank Limited, New York	18.2	-	661,769
Others		23,192	23,237
		245,721	932,870

18.1 Included herein is a sum of Rs.0.847 million (2006: Nil) payable to related parties.

18.2 During the current year, an amount of Rs.658.023 million placed in approved foreign exchange interest free deposit with SBP as head office capital account has been remitted to American Express Bank New York on value date January 02, 2007.

19. SHARE CAPITAL

December 31, 2007	December 31, 2006		December 31, 2007	December 31, 2006
			----- Rupees in '000 -----	
19.1 Authorized Capital				
550,050,000	550,050,000	Ordinary shares of Rs. 10/- each	550,050,000	550,050,000
19.2 Issued, subscribed and paid-up capital				
Ordinary shares of Rs. 10/- each				
234,221,250	24,010,000	Issued for cash	2,342,212	240,100
276,412,500	276,412,500	Issued for consideration other than cash	2,764,125	2,764,125
510,633,750	300,422,500		5,106,337	3,004,225

19.2.1 During the current year, the bank issued 210,211,250 Ordinary shares, with a face value of Rs.10/- each, as right shares at par.

19.2.2 Jahangir Siddiqui & Company Limited (the holding company), held 293,238,704 (2006: 172,521,177) Ordinary shares of Rs.10/- each as at December 31, 2007 representing 57.43% (2006: 57.43%) holding.



December 31, December 31,
2007 2006
----- Rupees in '000 -----

20. SURPLUS ON REVALUATION OF ASSETS - net of tax

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

Term Finance Certificates - listed	4,615	-
Ordinary Shares - listed	33,634	-
Preference Shares - listed	(1,069)	-
Mutual Fund Units	26,034	-
Government Securities	(6,825)	-
	56,389	-
Less: Related deferred tax liability	(3,933)	-
	52,456	-

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	51,258	10,217
ii) Banking companies and other financial institutions	15	15
ii) Others	10,244	-
	61,517	10,232

21.2 Trade-related Contingent Liabilities

Documentary credits	134,348	-
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21.3 Other Contingencies

Claims not acknowledged as debts	108,457	702,345
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21.4 Commitments in respect of forward exchange contracts

Purchase	1,941,004	2,100,726
Sale	1,256,303	1,998,007

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.

	December 31, 2007	December 31, 2006
	----- Rupees in '000 -----	
21.5 Other Contingencies		
Forward sale commitments in respect of TFCs	<u>102,880</u>	<u>95,000</u>
Underwriting commitments in respect of purchase		
- of shares of a related party	<u>155,000</u>	<u>151,750</u>
- of TFCs	<u>-</u>	<u>10,000</u>
Pre-IPO commitments	<u>-</u>	<u>15,000</u>
21.6 US dollars 37,500 per month or actual service cost, whichever is lower, for the computer software and Technical Services and Technical Support payable to American Express Bank Limited, New York.		
21.7 Commitment in respect of capital expenditure	<u>94,174</u>	<u>-</u>

22. DERIVATIVE INSTRUMENTS

The bank, at present, does not offer structured derivative products such as Internal 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	Note	For the year ended December 31, 2007	For the day of December 31, 2006
		----- Rupees in '000 -----	
On loans and advances to:			
Customers		196,757	136
Financial Institutions		322,127	515
On investments in:			
Available for sale securities		352,397	572
Held for trading securities		33,066	-
On deposits with financial institutions		76,378	178
On securities purchased under resale agreements		<u>149,658</u>	<u>649</u>
		<u>1,130,383</u>	<u>2,050</u>



	Note	For the year ended December 31, 2007 ----- Rupees in '000 -----	For the day of December 31, 2006
24. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		746,174	1,307
Securities sold under repurchase agreements		71,647	247
Borrowings		46,479	-
		<u>864,300</u>	<u>1,554</u>
25. FEE, COMMISSION AND BROKERAGE INCOME			
Advisory fee		84,006	-
Trustee fee		6,980	-
Other fees, commission and charges		35,556	-
		<u>126,542</u>	<u>-</u>
26. GAIN ON SALE OF SECURITIES - net			
Federal Government Securities			
Treasury Bills		(1,150)	-
Pakistan Investment Bonds		6,670	-
Ordinary shares - listed		104,527	-
Ordinary shares - unlisted, of a related party		3,598	-
Term Finance Certificates		19,047	-
Mutual Fund Units		16,199	-
		<u>148,891</u>	<u>-</u>
27. ADMINISTRATIVE EXPENSES			
Salaries, wages, allowances, etc.		245,755	-
Charge for defined benefit plan		7,239	-
Contribution to defined contribution plan		8,037	-
Contractor wages		24,408	-
Brokerage, fee and commission		7,205	-
Rent, taxes, insurance, electricity, etc.	27.1	90,590	-
Legal and professional charges		3,474	-
Communication		11,951	-
Repairs and maintenance		31,454	-
Travel and other related expenses		2,808	-
Stationery and printing		12,431	-
Advertisement and publicity		10,463	-
Postage and courier service		3,138	-
Stamp duty		7,335	-
CDC charges		4,886	-
Bank charges and clearing house charges		3,888	-
Fees and subscription		17,909	-

	Note	For the year ended December 31, 2007	For the day of December 31, 2006
----- Rupees in '000 -----			
Auditors' remuneration	27.2	4,334	200
Depreciation	12.2	29,856	71
Amortization of intangible assets	12.3	191,839	527
Amortization of goodwill		-	201
Amortization of deferred cost	14.2	6,736	4
Others		10,527	-
		<u>736,263</u>	<u>1,003</u>

27.1 Included herein is a sum of Rs.27.802 million charged in respect of rent of BNS Software, payable to American Express Bank, New York.

27.2 Auditors' Remuneration

Audit fee - Ford Rhodes Sidat Hyder & Co.	550	100
Audit fee - M. Yusuf Adil Saleem & Co.	-	100
Code of corporate governance review fee	100	-
Half-yearly review	200	-
Special certification and miscellaneous services	3,423	-
Out of pocket expenses	61	-
	<u>4,334</u>	<u>200</u>

28. OTHER CHARGES

Penalties imposed by State Bank of Pakistan	<u>654</u>	<u>-</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 as the total income of the bank is subject to minimum taxation @ 0.5% percent under section 113 of Income Tax Ordinance, 2001.

Under Section 114 of the Income Tax Ordinance 2001 (Ordinance), the bank has filed the return of income for Tax year 2006 on due date. The said return shall be taken to be an assessment order passed by the Commissioner of Income Tax on the day the said return was filed.

	Note	December 31, 2007	December 31, 2006
----- Rupees in '000 -----			
30. EARNINGS / (LOSS) PER SHARE - BASIC AND DILUTED			
Profit / (loss) for the year / period after taxation		<u>35,431</u>	<u>(417)</u>
Weighted average number of Ordinary shares outstanding during the year (Number)		<u>387,015,099</u>	<u>1,331,794</u>
Earnings per share - basic and diluted (Rupees)		<u>0.09</u>	<u>-</u>

There is no dilution effect on basic earnings per share.



	December 31, 2007	December 31, 2006
	----- Rupees in '000 -----	
31. CASH AND CASH EQUIVALENTS		
Cash and Balances with Treasury Banks	977,235	1,912,648
Balances with other banks	254,079	1,463,280
Overdrawn nostro account	(9,992)	(5)
	<u>1,221,322</u>	<u>3,375,923</u>

	December 31, 2007	December 31, 2006
	Number	
32. STAFF STRENGTH		
Permanent	280	18
Temporary / on contractual basis	1	-
Bank own staff strength at the end of the year	<u>281</u>	<u>18</u>
Outsourced	177	-
	<u>458</u>	<u>18</u>

33. DEFINED BENEFIT PLAN

33.1 General description

The bank operates a unfunded gratuity scheme for all employees who opted for the new staff retirement benefit scheme introduced by the management with effect from January 01, 2007. Comparative and prior period disclosures in respect of the scheme has not been disclosed as the scheme was established during the current year.

33.2 Number of employees under the schemes

The number of employees covered under the following defined benefit scheme/plans are 280.

33.3 Principal actuarial assumptions

The actuarial valuations were carried out on December 31, 2007 based on the Projected Unit Credit Method, using the following significant assumptions:

	December 31, 2007	Source of estimation
	%	
Discount rate	10%	Yield on government bonds.
Expected rate of salary increase	10%	Linked to discount rates.

	December 31, 2007 Rupees in '000
33.4 Reconciliation of (receivable) / payable to defined benefit plan	
Present value of defined benefit obligation	9,761
Fair value of any plan assets	-
Net actuarial losses not recognized	(579)
Unrecognised transitional liability	(1,943)
	<u>7,239</u>
33.5 Movement in payable to defined benefit plan	
Opening net liability	-
Expense for the year	7,239
Benefits paid to employees	-
Closing net liability	<u>7,239</u>
33.6 Charge for defined benefit plan	
Current service cost	6,510
Interest cost	243
Expected return on plan assets	-
Transitional liability recognised	486
Actuarial (gain) / losses recognised	-
	<u>7,239</u>
33.7 Actual return on plan assets	<u>-</u>
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 180 as on December 31, 2007. During the year, employees made a contribution of Rs 8.037 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:

	2007			Total
	President	Directors	Executives	
	----- Rupees in 000' -----			
Managerial remuneration	5,458	5,826	58,930	70,214
Defined contribution plan	545	523	4,486	5,554
Charge for defined contribution plan	455	435	4,911	5,801
Rent and house maintenance	2,456	2,351	26,518	31,325
Utilities	634	563	6,276	7,473
Medical	21	12	934	967
Conveyance and vehicle maintenance	579	316	6,337	7,232
Bonus	15,000	9,600	27,083	51,683
	<u>25,148</u>	<u>19,626</u>	<u>135,475</u>	<u>180,249</u>
Number of persons	<u>1</u>	<u>* 3</u>	<u>68</u>	<u>72</u>

* Includes remuneration of three directors upto March 30, 2007 i.e the date of election of directors in the First Annual General Meeting. Thereafter, with effect from March 31, 2007, upto December 31, 2007 the remuneration of only one director is included.

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

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments is based on quoted market price. Fair value of unquoted equity investments is determined on the basis of break-up value of these investments as per the latest available audited financial statements.

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 40 to these accounts.

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.



	For the year ended December 31, 2007	For the period from March 15, 2006 to December 31, 2006
	----- Rupees in '000 -----	
Parent company		
Subscription in right shares	1,207,175	-
Advisory fee for TFC	6,250	-
Payment of rent expense	125	-
Refund of security deposit	1,233	-
Companies in which parent company holds 20% or more		
Purchase of fixed assets	3,025	-
Sale of fixed assets	810	-
Amount paid for services rendered	628	-
Purchase of TFC	458,134	-
Sale of TFC	427,271	-
Payment of rent expense	252	-
Sale of shares	580,643	-
Purchase of shares	423,747	-
Commission accrued	9,543	-
Dividend income	74,895	-
Advisory fee for TFC	10,938	-
Trustee fee	470	-
Other related parties		
Trustee fee	4,524	-
Purchase of TFCs	150,000	-
Advisory fee for TFC	21,443	-

38. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

December 31, 2007	Rupees in '000					Total	
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement		Others
Total income	97,221	1,222,177	170,568	27,396	25,595	5,766	1,548,723
Total expenses	1,012	182,506	813,800	34,585	8,774	570,267	1,610,944
Tax expense	-	-	-	-	-	-	6,556
Deferred tax	-	-	-	-	-	-	(104,208)
Net income / (loss)	96,209	1,039,671	(643,232)	(7,189)	16,821	(564,501)	35,431
Segment Assets (Gross)	-	12,934,808	5,685,573	147,938	-	1,677,105	20,445,424
Segment Non Performing Loans	-	-	117,672	-	-	-	117,672
Segment Provision Required	-	-	-	-	-	-	-
Segment Liabilities	-	481,147	13,925,619	727,179	-	-	15,133,945
Segment Return on net Assets (ROA) (%)	-	10.03	12.07	10.25	-	-	-
Segment Cost of funds (%)	-	9.54	6.52	-	-	-	-



39. CAPITAL ADEQUACY

39.1 Capital Management

The primary objectives of the bank's capital management are to ensure that the bank complies with externally imposed capital requirements and that the bank 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.6 dated October 28, 2006 requires the minimum paid up capital (net of losses) for Banks/Development Finance Institutions to be raised to Rs 6 billion by the year ending December 31, 2009. The raise is to be achieved in a phased manner requiring Rs 4 billion paid up capital (net of losses) by the end of the financial year 2007. The paid up capital of the bank as at December 31, 2007 stood at Rs 5.106 billion and is in compliance with the SBP requirement for the said year. In addition the banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 8% of the risk weighted exposure of the bank. JS Bank CAR as at December 31, 2007 was 34.03% of its risk weighted exposure.

Bank's regulatory capital is analyzed into two tiers

Tier 1 capital, which includes fully paid up capital, general reserves and un-appropriated profits as per the financial statements less goodwill.

Tier 2 capital includes reserves on the revaluations of available for sale investments (up to a maximum of 50% of the balance in the related revaluation reserves).

The capital of the bank is managed keeping in view the minimum "Capital Adequacy Ratio" required by SBP through BSD circular No. 6 dated October 28, 2006. The adequacy of the capital is tested with reference to the risk-weighted assets of the bank.

The calculation of Capital Adequacy enables the bank to assess the long-term soundness. As the bank carries on the business on a wide area network basis, it is critical that it is able to continuously monitor the exposure across the entire organization and aggregate the risks so as to take an integrated approach / view.

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

	December 31, 2007	December 31, 2006
	----- Rupees in '000 -----	
Regulatory Capital Base		
Tier I Capital		
Shareholders Capital	5,106,337	3,004,225
Statutory reserve	7,086	-
Accumulated loss	27,928	(417)
Less: Adjustments	(1,463,624)	(1,463,624)
Total Tier I Capital	3,677,727	1,540,184
Tier II Capital		
Subordinated Debt (upto 50% of total Tier I Capital)	-	-
General Provisions subject to 1.25% of Total Risk Weighted Assets	-	-
Revaluation Reserve (upto 50%)	29,300	-
Total Tier II Capital	29,300	-
Eligible Tier III Capital	-	-
Total Regulatory Capital	3,707,027	1,540,184

(a)

Risk-Weighted Exposures	December 31, 2007		December 31, 2006	
	Book Value	Risk Adjusted Value	Book Value	Risk Adjusted Value
Credit Risk	----- Rupees in '000 -----			
Balance Sheet Items:				
Cash and other liquid Assets	1,231,314	50,816	3,375,928	292,656
Money at call	2,115,000	1,215,000	754,250	150,850
Investments	7,595,747	1,945,567	4,653,758	1,500,029
Loans and Advances	6,151,233	6,043,131	1,382,277	1,350,941
Fixed Assets	491,736	491,736	379,584	379,584
Deferred taxation	126,525	126,525	26,250	26,250
Other Assets	2,291,467	725,009	1,662,854	89,764
	20,003,022	10,597,784	12,234,901	3,790,074
Off Balance Sheet Items:				
Loan Repayment Guarantees	-	-	6,491	6,491
Purchase and Resale Agreement				
Performance Bonds etc.	56,922	15,713	2,277	1,139
Revolving underwriting Commitments	155,000	77,500	10,000	5,000
Other commitments	102,880	102,880	-	-
Letters of Credit	134,349	67,175	-	-
Outstanding Foreign Exchange Contracts				
- Purchase	1,941,004	7,477	2,100,726	7,583
- Sale	1,256,303	2,575	1,998,007	7,992
- Other commitments	-	-	110,000	110,000
	3,646,458	273,320	4,227,501	138,205
Credit risk-weighted exposures		10,871,104		3,928,279
Market Risk				
General market risk		1,876		584
Specific market risk		-		-
Market risk-weighted exposures		23,450		7,300
Total Risk-Weighted exposures (b)		10,894,554		3,936,163
Capital Adequacy Ratio [(a) / (b) x 100]		34.03%		39.13%



40. RISK MANAGEMENT

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 lending policy, approved by the board of directors and regulations issued by the SBP. JSBL is exposed to credit risk on loans, term finance, fund placements with financial institutions and certain investment. 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.

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, 2007					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent %	Rupees in '000	Percent %	Rupees in '000	Percent %
Mining and Quarrying	-	-	18,780	0.14	-	-
Textile	818,313	12.41	35,445	0.26	10,296	0.28
Chemical and Pharmaceuticals	488,237	7.40	1,195,207	8.74	166,755	4.57
CFS Financing	1,992,747	30.23	-	-	-	-
Footwear and leather garments	60,599	0.92	42,846	0.31	-	-
Automobile and transportation equipment	2,298	0.03	1,247,403	9.12	-	-
Electronics and electrical appliances	662	0.01	14,329	0.10	3,394	0.09
Construction	-	-	73,330	0.54	-	-
Power, gas, water and sanitary	-	-	22,236	0.16	-	-
Paper and board	-	-	2,045	0.01	-	-
Food	230,675	3.50	2,760	0.02	28,375	0.78
Trust and non-profit organizations	-	-	1,231,233	9.00	-	-
Wholesale and retail trade	128,560	1.95	-	-	-	-
Transport, storage and communication	225,000	3.41	-	-	155,000	4.25
Financial	40,000	0.61	319,351	2.33	3,202,310	87.71
Insurance	-	-	390,923	2.86	-	-
Services	1,259,741	19.11	298,621	2.18	31,470	0.86
Individuals	1,025,225	15.55	2,613,678	19.11	2,925	0.08
Others	321,578	4.88	6,171,711	45.12	144,701	1.38
	6,593,635	100	13,679,898	100	3,745,226	100

December 31, 2006

	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent %	Rupees in '000	Percent %	Rupees in '000	Percent %
Chemical and pharmaceuticals	-	-	34,354	0.48	-	-
Agribusiness	-	-	1	-	167	-
Textile	38,966	2.30	27,554	0.38	-	-
Construction	-	-	6,787	0.09	125	-
Shoes and leather garments	-	-	276	-	-	-
Automobile and transportation equipment	-	-	281,594	3.91	-	-
CFS financing	1,193,656	70.51	191,009	2.65	-	-
Electronics and electrical appliances	-	-	16,582	0.23	-	-
Production and transmission of energy	-	-	1,952	0.03	680	0.02
Power, gas, water and sanitary	-	-	3,677	0.05	-	-
Paper and board	-	-	1,624	0.02	-	-
Food	-	-	1,342	0.02	-	-
Trusts and non-profit organisation	-	-	14,909	0.21	181	-
Mining	-	-	200,000	2.78	-	-
Insurance	-	-	222,122	3.09	-	-
Transport, storage and communication	-	-	-	-	151,750	3.46
Financial Services	-	-	-	-	4,193,733	95.73
Individuals	342,107	20.21	2,554,526	35.49	-	-
Others	118,102	6.98	3,581,759	49.76	34,079	0.79
	1,692,831	100	7,198,149	100	4,380,715	100

40.1.1.2 Segment by sector

December 31, 2007

	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent %	Rupees in '000	Percent %	Rupees in '000	Percent %
Public / Government	-	-	1,835,658	13.42	51,258	1.37
Private	6,593,635	100	11,844,240	86.58	3,693,968	98.63
	6,593,635	100	13,679,898	100	3,745,226	100



December 31, 2006

	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees	Percent	Rupees	Percent	Rupees	Percent
	in '000	%	in '000	%	in '000	%
Public / Government	-	-	13,275	0.18	10,217	0.23
Private	1,692,831	100	7,184,874	99.82	4,370,498	99.77
	<u>1,692,831</u>	<u>100</u>	<u>7,198,149</u>	<u>100</u>	<u>4,380,715</u>	<u>100</u>

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

	December 31, 2007		December 31, 2006	
	-----Rupees in '000-----			
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
Textile	70,642	70,642	75,737	75,737
Automobile and transportation equipment	2,298	2,298	2,298	2,298
Electronics and electrical appliances	662	662	662	662
Individuals	899	899	899	899
Other	69,103	39,103	29,103	29,103
	<u>143,604</u>	<u>113,604</u>	<u>108,699</u>	<u>108,699</u>

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

Public / Government	-	-	-	-
Private	143,604	113,604	108,699	108,699
	<u>143,604</u>	<u>113,604</u>	<u>108,699</u>	<u>108,699</u>

40.1.1.5 Geographical Segment Analysis

	December 31, 2007		December 31, 2006	
	Total assets employed	Net assets employed	Total assets employed	Net assets employed
Pakistan	<u>20,327,752</u>	<u>5,193,807</u>	<u>12,545,455</u>	<u>3,003,808</u>

	December 31, 2007		December 31, 2006	
	Loss before taxation	Contingencies and commitments	Loss before taxation	Contingencies and commitments
Pakistan	<u>(62,221)</u>	<u>3,745,226</u>	<u>(406)</u>	<u>4,380,715</u>

40.2 Market Risk

Market risk is the risk that the value of the on and off balance sheet positions of the bank will be adversely affected by movements in market rates or prices such as interest rate, foreign exchange rates, equity prices, credit spreads and/or commodity prices resulting in a loss to earnings and capital. Management recognizes that the bank may be exposed to market risk in variety of ways. Market risk exposure may be explicit in portfolio of securities/equities and foreign currencies that are actively traded. Conversely it may be implicit such as interest rate risk due to mismatch of loans and deposits. Besides market risk may also arise from activities categorized as off balance sheet items. JSBL has introduced market risk limits for treasury operations.

40.2.1 Foreign Exchange Risk

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, 2007			Net foreign currency Exposure
	Assets	Liabilities	Off-balance sheet items	
	-----Rupees in '000-----			
Pakistan rupee	19,866,418	13,980,904	(693,621)	5,191,893
United States dollar	351,466	996,898	645,370	(62)
Great Britain pound	66,344	59,874	(5,476)	994
Euro	39,998	95,735	55,828	91
Other currencies	3,526	534	(2,101)	891
	461,334	1,153,041	693,621	1,914
	<u>20,327,752</u>	<u>15,133,945</u>	<u>-</u>	<u>5,193,807</u>

	December 31, 2006			Net foreign currency Exposure
	Assets	Liabilities	Off-balance sheet items	
	-----Rupees in '000-----			
Pakistan rupee	11,187,287	7,406,089	(753,993)	3,027,205
United States dollar	1,204,441	1,980,778	749,284	(27,053)
Great Britain pound	51,580	53,414	4,271	2,437
Euro	100,127	100,732	301	(304)
Other currencies	2,020	634	137	1,523
	1,358,168	2,135,558	753,993	(23,397)
	<u>12,545,455</u>	<u>9,541,647</u>	<u>-</u>	<u>3,003,808</u>



40.2.2 Equity position Risk

Investments in equity are generally regarded as riskier relative to fix income securities owing to the inherent volatility of stock market prices. The risk forms various factors and the bank mitigates these risks through diversification and capping maximum exposures in a single sector / company and compliance with SECP corporate governance rules. The bank follows a delivery verses payment settlement system thereby minimizing risk available risk in relation to settlement risk.

40.2.3 Mismatch of Interest Rate Sensitive 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, 2007											
Effective Yield Interest rate	Total	Up to 1 Month	Over 1 to 3 Month	Over 3 to 6 Month	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	Non-interest bearing financial instrument
On-balance sheet financial instruments											
Assets											
Cash and balances with treasury banks	3.71-4.72	977,235	67,965	-	-	-	-	-	-	-	909,270
Balances with other banks	2.60-3.56	254,079	125,031	-	-	-	-	-	-	-	129,048
Lending to financial institutions	9.85-11.5	3,601,211	3,151,211	450,000	-	-	-	-	-	-	-
Investments	8.98-13.51	6,109,536	46,056	1,407,561	1,980,958	214,094	67,952	144,904	641,090	-	771,200
Advances	5.00-18.00	6,475,963	5,373,424	48,983	267,334	210,331	249,008	237,000	54,612	15,912	-
Other assets	11.00-11.40	731,873	200,000	-	-	-	-	-	-	-	531,873
		18,149,897	8,963,687	1,906,544	2,248,292	424,425	316,960	381,904	695,702	15,912	2,341,391
Liabilities											
Bills payable		727,179	-	-	-	-	-	-	-	-	727,179
Borrowings	9.25-9.37	481,147	9,992	-	-	-	-	-	-	-	-
Deposits and other accounts	1.00-12.75	13,679,898	8,581,778	1,862,119	1,016,476	108,000	-	-	-	-	1,676,839
Other liabilities		245,721	-	-	-	-	-	-	-	-	245,721
		15,133,945	8,591,770	1,862,119	1,016,476	108,000	-	-	-	-	2,649,739
On-balance sheet financial instruments		3,015,952	371,917	1,000,703	1,231,816	316,425	316,960	381,904	695,702	15,912	(308,348)
Forward lendings		-	-	-	-	-	-	-	-	-	-
Forward borrowings		-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap		371,917	1,000,703	(1,007,039)	1,231,816	316,425	316,960	381,904	695,702	15,912	-
Cumulative Yield/Interest Risk Sensitivity Gap		371,917	1,372,620	365,581	1,597,397	1,913,822	2,230,782	2,612,686	3,308,388	3,324,300	-

December 31, 2006

Effective Yield Interest rate	Total	Up to 1 Month	Over 1 to 3 Month	Over 3 to 6 Month	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	Non-interest bearing financial instrument
On-balance sheet financial instruments											
Assets											
Cash and balances with treasury banks	1,912,648	203,301	-	-	-	-	-	-	-	-	1,709,347
Balances with other banks	1,463,280	982,118	150,000	-	-	-	-	-	-	-	331,162
Lending to financial institutions	2,825,912	2,650,912	175,000	-	-	-	-	-	-	-	-
Investments	2,582,096	8	22,524	130,111	1,292,570	200,094	39,857	156,977	51,913	-	688,042
Advances	1,692,831	1,338,609	148,043	39,588	140,761	22,260	2,856	714	-	-	-
Other assets	130,611	25,535	-	-	-	-	-	-	-	-	105,076
	10,607,378	5,200,483	495,567	169,699	1,433,331	222,354	42,713	157,691	51,913	-	2,833,627
Liabilities											
Bills payable	610,623	-	-	-	-	-	-	-	-	-	610,623
Borrowings	800,005	800,005	-	-	-	-	-	-	-	-	-
Deposits and other accounts	7,198,149	5,301,196	929,338	386,291	338,956	2,500	10,000	229,868	-	-	-
Other liabilities	932,870	-	-	-	-	-	-	-	-	-	932,870
	9,541,647	6,101,201	929,338	386,291	338,956	2,500	10,000	229,868	-	-	1,543,493
On-balance sheet financial instruments	1,065,731	(900,718)	(433,771)	(216,592)	1,094,375	219,854	32,713	(72,177)	51,913	-	1,290,134
Forward lendings	95,000	95,000	-	-	-	-	-	-	-	-	-
Forward borrowings	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap	95,000	95,000	-	-	-	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap	(805,718)	(433,771)	(433,771)	(216,592)	1,094,375	219,854	32,713	(72,177)	51,913	-	-
Cumulative Yield/Interest Risk Sensitivity Gap	(805,718)	(1,239,489)	(1,456,081)	(361,706)	(141,852)	(109,139)	(181,316)	(129,403)	(129,403)	(129,403)	-

40.3 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.

40.3.1 Maturity of Assets and Liabilities

	December 31, 2007									
	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	Total
Assets										
Cash and balances with treasury banks	977,235	-	-	-	-	-	-	-	-	-
Balances with other banks	254,079	-	-	-	-	-	-	-	-	-
Lending to financial institutions	3,601,211	490,000	100,000	-	-	-	-	-	-	-
Investments	111,245	1,407,561	1,222,351	1,980,958	214,094	67,952	144,904	960,471	-	-
Advances	5,373,424	48,983	19,359	267,334	210,331	249,008	237,000	54,612	15,912	-
Other assets	2,291,467	11,604	16,645	24,675	103,897	2,809	-	-	1,463,624	-
Operating fixed assets	668,213	11,604	16,645	24,675	103,897	2,809	-	-	67,152	-
Deferred tax assets	7,021	14,042	22,562	46,925	93,823	51,600	103,200	85,411	-	-
	126,525	-	-	-	-	-	-	126,525	-	-
	20,327,752	10,402,428	1,972,190	2,319,892	622,145	371,369	485,104	1,227,019	1,546,688	-
Liabilities										
Bills payable	727,179	-	-	-	-	-	-	-	-	-
Borrowings	481,147	471,155	-	-	-	-	-	-	-	-
Deposits and other accounts	13,679,898	434,686	1,862,119	1,016,476	108,000	-	-	-	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Other liabilities	245,721	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
	15,133,945	11,241,509	905,841	1,016,476	108,000	-	-	-	-	-
	5,193,807	(839,081)	1,066,349	1,303,416	514,145	371,369	485,104	1,227,019	1,546,688	-
Net assets										
Share capital	5,106,337									
Statutory reserve	7,086									
Unappropriated profit	27,928									
Surplus on revaluation of assets	52,456									
	5,193,807									

December 31, 2006

	Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 5 Months	Over 5 to 10 Months	Above 10 Years
Assets									
Cash and balances with treasury banks	1,912,648	-	-	-	-	-	-	-	-
Balances with other banks	1,313,280	150,000	-	-	-	-	-	-	-
Lending to financial institutions	2,825,912	175,000	-	-	-	-	-	-	-
Investments	2,582,096	22,524	130,111	1,668,986	511,720	39,857	156,977	51,913	-
Advances	1,692,831	1,338,609	39,588	140,761	22,260	2,856	714	-	-
Other assets	1,662,854	192,717	6,513	-	-	-	-	-	1,463,624
Operating fixed assets	379,584	-	-	191,681	42,208	42,208	103,487	-	-
Deferred tax assets	26,250	-	-	-	-	-	-	-	-
	12,545,455	7,434,424	176,212	2,001,428	576,188	84,921	261,178	51,913	1,463,624
Liabilities									
Bills payable	610,623	-	-	-	-	-	-	-	-
Borrowings	800,005	-	-	-	-	-	-	-	-
Deposits and other accounts	7,198,149	929,338	350,005	338,956	2,500	10,000	229,868	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-
Other liabilities	932,870	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-
	9,541,647	929,338	350,005	338,956	2,500	10,000	229,868	-	-
Net assets	<u>3,003,808</u>	<u>(246,556)</u>	<u>(173,793)</u>	<u>1,662,472</u>	<u>573,688</u>	<u>74,921</u>	<u>31,310</u>	<u>51,913</u>	<u>1,463,624</u>
Share Capital	3,004,225								
Accumulated loss	(417)								
Share Capital	<u>3,003,808</u>								

40.4 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. Operations Risk is generally managed effectively and the bank operates in a controlled manner, 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.

The operational Risk Management Manual addresses enterprise wide risk drivers inclusive of technology infrastructure, software hardware and IT security.

At the more detailed level, while procedures are generally documented, the bank has utilized the services of a professional organization to document revised procedures manuals and implement best practices throughout the bank. This project is in the completion stages.

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. The bank's further strengthening Operational Risk Management infrastructure through establishment of a separate Operational and Risk Control Unit.

41. RECLASSIFICATIONS

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

Reclassification from	Reclassification to	Amount Rupees in '000
Investment in associates	Available for sale investments	423,413
Investment in Ordinary shares	Investment in Preference shares	109,645
Deposits - Customers current account	Deposits - Financial institutions non remunerative deposits	2,700
Fixed assets - Furniture and fixtures	Fixed assets - lease hold improvements	14,668

42. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February 29, 2008

43. GENERAL

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

43.2 Comparatives in the profit and loss account represent transactions for one day subsequent to obtaining banking license and effective date of amalgamation.

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

Jahangir Siddiqui
Chairman

Naveed Qazi
President and Chief Executive

Rafique R. Bhimjee
Director

Basir Shamsie
Director



SHAREHOLDER'S STATISTICS

As at December 31, 2007

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

No. of Shareholders	Shareholdings		Total Shares Held
	From	To	
226	1	100	7,598
1453	101	500	580,848
1315	501	1000	1,225,108
3022	1001	5000	8,533,842
836	5001	10000	6,518,532
396	10001	15000	5,094,831
184	15001	20000	3,296,186
148	20001	25000	3,420,389
91	25001	30000	2,604,918
26	30001	35000	857,609
60	35001	40000	2,277,606
29	40001	45000	1,260,325
76	45001	50000	3,727,914
13	50001	55000	692,210
19	55001	60000	1,110,215
16	60001	65000	1,018,504
9	65001	70000	610,014
28	70001	75000	2,062,025
3	75001	80000	234,124
10	80001	85000	826,170
6	85001	90000	524,782
7	90001	95000	652,445
26	95001	100000	2,582,262
12	100001	105000	1,234,273
4	105001	110000	432,200
6	110001	115000	680,819
3	115001	120000	357,000
10	120001	125000	1,237,800
3	125001	130000	383,028
1	130001	135000	133,500
8	135001	140000	1,105,909
3	140001	145000	431,250
14	145001	150000	2,097,500
3	150001	155000	454,988
2	155001	160000	317,341
1	160001	165000	165,000
3	165001	170000	504,169
1	170001	175000	175,000
2	175001	180000	355,000
2	180001	185000	365,288
3	185001	190000	561,100

No. of Shareholders	Shareholdings		Total Shares Held
	From	To	
1	190001	195000	194,400
9	195001	200000	1,797,000
2	200001	205000	405,339
2	210001	215000	427,042
1	215001	220000	218,700
5	220001	225000	1,124,790
2	225001	230000	454,500
2	235001	240000	474,354
3	240001	245000	732,104
7	245001	250000	1,750,000
3	250001	255000	762,263
1	255001	260000	260,000
1	260001	265000	265,000
4	270001	275000	1,089,280
1	275001	280000	278,000
1	280001	285000	281,500
1	290001	295000	290,475
5	295001	300000	1,498,712
2	300001	305000	606,000
1	345001	350000	350,000
1	355001	360000	360,000
1	370001	375000	375,000
2	380001	385000	764,830
1	395001	400000	396,195
1	400001	405000	400,250
1	415001	420000	419,281
1	460001	465000	464,590
4	495001	500000	2,000,000
1	515001	520000	515,500
1	565001	570000	569,000
1	635001	640000	637,500
1	645001	650000	650,000
1	655001	660000	656,930
2	665001	670000	1,335,500
1	690001	695000	690,750
1	715001	720000	720,000
1	725001	730000	729,000
1	740001	745000	745,000
2	745001	750000	1,500,000
1	795001	800000	800,000
1	800001	805000	801,913
1	825001	830000	825,173
1	935001	940000	939,000
1	1030001	1035000	1,031,500
1	1095001	1100000	1,100,000
1	1260001	1265000	1,264,500
1	1315001	1320000	1,316,581



No. of Shareholders	Shareholdings		Total Shares Held
	From	To	
1	1445001	1450000	1,450,000
1	1825001	1830000	1,829,000
1	1865001	1870000	1,867,500
1	2085001	2090000	2,088,000
2	2995001	3000000	6,000,000
1	3250001	3255000	3,253,500
1	6000001	6005000	6,002,732
1	6745001	6750000	6,750,000
1	7820001	7825000	7,820,231
1	7825001	7830000	7,829,400
1	15640001	15645000	15,640,463
1	20000001	20005000	20,000,001
1	20140001	20145000	20,140,632
1	20745001	20750000	20,746,513
1	21645001	21650000	21,646,000
1	33165001	33170000	33,169,500
1	238420001	238425000	238,423,204
<u>8,185</u>			<u>510,633,750</u>

<u>Categories Of Shareholders</u>	<u>Shares Held</u>	<u>Percentage</u>
Banks, Development Financial Institutions, Non Banking Finance Companies.	8,650,429	1.70
Insurance Companies	23,894,441	4.68
Directors, Chief Executive Officer, And Their Spouse And Minor Children		
Mr. Jahangir Siddiqui	1	
Mr. Mazhar-ul-haq Siddiqui	801,914	
Mr. Maqbool Ahmed Soomro	14	
Mr. Ashraf Nawabi	1	
Mr. Rafique R.Bhimjee	82,012	
Syed Amjad Ali	1	
Mr. Basir Shamsie	1	
Mr. Naveed Qazi	3,000,000	
Mrs. Akhter Jabeen	218,700	
Mrs. Hafsa Shamsie	273,600	

	4,376,244	0.86
Associated Companies, Undertaking And Related Parties.		
Jahangir Siddiqui & Co. Limited	293,238,704	
American Express Bank Limited	20,000,001	

	313,238,705	61.34
Modarabas And Mutual Funds.	2,045,858	0.40
NIT And ICP		
IDBP (ICP Unit)	5,467	
Investment Corp. Of Pakistan	972	
National Bank Of Pakistan, Trustee Deptt.	40,887,145	

	40,893,584	8.01
Foreign Investors	2,162,571	0.42
Others	20,449,154	4.00
Individual		
Local – Individuals	94,922,764	18.59

Grand totals :	510,633,750	100.00
	=====	=====
Shareholder / CDC Beneficial Owners Holding Shares 10 % Or More:		
Jahangir Siddiqui & Co. Limited	293,238,704	



Details of transaction carried out by Directors, Chief Executive Officer (CEO) Chief Financial Officer (CFO), Company Secretary and their spouses and minor children during the period from January 1, 2007 to December 31, 2007

	Holding	Right Shares Subscribed*	Sale	Rate	Holding
Mr. Mazharul Haq Siddiqui	534,610	267,304	-	10	801,914
Mr. Maqbool Ahmed Soomro	10	4	-	10	14
Mr. Rafique R. Bhimjee	54,675	27,337	-	10	82,012
Mr. Naveed Qazi	2,000,000	1,000,000	-	10	3,000,000
Mr. Muhammad Yousuf Amanullah	50,000	25,000	-	10	75,000
Mrs. Akhter Jabeen Siddiqui	145,800	72,900	-	10	218,700
Mrs. Hafsa Shamsie	182,400	91,200	-	10	273,600

*The aforesaid Right Shares were subscribed by the Chief Executive Officer, Chief Financial Officer, Company Secretary and the Directors named above in accordance with their respective entitlements as exiting shareholders of the Company.



JS Bank Limited

FORM OF PROXY

2nd 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 Registeres 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 2nd Annual General Meeting of the Company to be held on March 29, 2008 and / or any adjournment thereof.
As witness my / our hand / sael this _____ day of _____ 2008. 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 members as his/her proxy to attend and vote instead of him/her
2. This 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 members.
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 produced their original computerised National Identity Card (CNIC or Passport for identification purpose at the time of attending meeting. The form of proxy must be submit with the company 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 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 proxy form to the Company).

AFFIX
CORRECT
POSTAGE

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

