



JS Bank Limited
Annual Report 2006



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Vision Statement

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.



Mission Statement

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 expectations.



Board of Directors



Sitting (L-R): Mr. Naveed Qazi (Director/CEO), Mr. Jahangir Siddiqui (Chairman) & Mr. Maqbool A. Soomro

Standing (L-R): Mr. Basir Shamsie, Mr. Muhammad Yousuf Amanullah, Mr. Zainul Abidin Memon & Mr. Suleman Lalani

Not in the Picture: Mr. Mazharul Haq Siddiqui, Mr. Stephen Christopher Smith & Mr. Munaf Ibrahim

COMPANY INFORMATION

Board of Directors

Mr. Jahangir Siddiqui	Chairman
Mr. Naveed Qazi	Director/CEO
Mr. Mazharul Haq Siddiqui	
Mr. Munaf Ibrahim	
Mr. Maqbool A. Soomro	
Mr. Stephen Christopher Smith	
Mr. Basir Shamsie	
Mr. Muhammad Yousuf Amanullah	
Mr. Zainul Abidin Memon	
Mr. Suleman Lalani	

Audit Committee

Mr. Jahangir Siddiqui	Chairman
Mr. Munaf Ibrahim	Member
Mr. Maqbool A. Soomro	Member
Mr. Stephen Christopher Smith	Member
Mr. Sajid Hussain	Secretary

Company Secretary

Mr. Muhammad Yousuf Amanullah

Auditors

Ford Rhodes Sidat Hyder & Co.
M. Yousuf Adil Saleem & Co.

Legal Advisors

Bawany & Partners

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 FIRST ANNUAL GENERAL MEETING

Notice is hereby given that the first Annual General Meeting of the Shareholders of JS Bank Limited will be held on Friday March 30, 2007 at 9:30 am at Beach Luxury Hotel, Karachi to transact the following business.

1. To confirm the minutes of the Extraordinary General Meeting held on July 31, 2006.
2. To receive and consider the Audited Financial Statements of the Bank for the year ended December 31, 2006 together with the Directors' Report and Auditors' Report thereon.
3. To appoint auditors of the bank for the year ending December 31, 2007 and to fix their remuneration.
4. To elect ten Directors as fixed by the Board under section 178(1) of the Companies Ordinance, 1984 for three years commencing from March 30, 2007. The retiring Directors who are eligible to offer themselves for re-election are as follows.

- | | |
|--------------------------|----------------------------------|
| 1) Mr. Jahangir Siddiqui | 2) Mr. Mazharul Haq Siddiqui |
| 3) Mr. Munaf Ibrahim | 4) Mr. Maqbool Ahmed Soomro |
| 5) Mr. Naveed Qazi | 6) Mr. Stephen Christopher Smith |
| 7) Mr. Basir Shamsie | 8) Mr. Muhammad Yousuf Amanullah |
| 9) Mr. Suleman Lalani | 10) Mr. Zainul Abidin Memon |

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

Karachi: March 08, 2007

By Order of the Board
Muhammad Yousuf Amanullah
Company Secretary

Notes:

- (i) Share transfer books of the Bank will remain closed from March 23, 2007 to March 29, 2007 (both days inclusive)
- (ii) A member of the Bank entitled to attend and vote may appoint another member as his/her proxy to attend and vote instead of him/her.
- (iii) Proxies must be received at the Registered Office of the Bank not less than 48 hours before the time of the meeting.
- (iv) Beneficial owners of the shares registered in the name of Central Depository Company of Pakistan (CDC) and/or their proxies are required to produce their original Computerized National Identity Card (CNIC) or passport for identification purpose at the time of attending the meeting. The form of the proxy must be submitted with the Bank within the stipulated time, duly witnessed by two persons whose names, addresses and CNIC numbers must be mentioned on the form, along with attested copies of the CNIC or the passport of the beneficial owner and the proxy. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with the proxy form of the Bank.
- (v) Any person seeking to contest the election, whether retiring Director or otherwise, must file with the Company Secretary his/her intention to offer himself/herself for election as a Director not later than 14 days before the date of the meeting. Such consent should include a declaration that they are aware of their duties and powers under the relevant law(s) and the Bank's Memorandum & Articles of Association and listing Regulations of Stock Exchanges. If elected as a director, such person shall be subject to fit and proper test clearance by the State Bank of Pakistan.
- (vi) Shareholders are requested to notify immediately for any change in their address.

DIRECTORS' REPORT

We are pleased to present the First Annual Report of JS Bank Limited ("JSBL") along with the audited accounts and Auditors' report thereon for the period ended December 31, 2006.

Jahangir Siddiqui Investment Bank Limited and its holding company Jahangir Siddiqui & Company Limited entered into a Framework Agreement with American Express Bank Ltd, New York (AEBL) on November 10, 2005 for acquisition of AEBL's Pakistan Operations. Accordingly a new banking company, JS Bank Limited, was incorporated on March 15, 2006. Subsequently, as a consequence to the Sanction Order of the State Bank of Pakistan, Jahangir Siddiqui Investment Bank Limited and American Express Bank Ltd. – Pakistan operations were merged and amalgamated with and into JS Bank Limited as on December 30, 2006 and the new bank commenced operations the same afternoon with a network of four branches.

Future Outlook

During the last few years the banking sector in Pakistan has experienced significant growth, reflected by increased deposit mobilization and development of consumer banking products. The market has become highly competitive with the banking sector becoming increasingly dominated by the local private banks through both acquisitions and privatizations. More emphasis is being laid by foreign banks on convenience, products, technology, bundled offerings and increasing the network of branches.

We strongly believe that a bank with the right management team having a futuristic vision, a strong sense of commitment and a service-oriented customer approach focused on technology can create a favorable niche for itself.

Management remains dedicated to its core strategy of promoting savings and investment in Pakistan. This will be achieved through increasing the coverage of our activities and further strengthening our Balance Sheet. Our task is to consolidate our gains, leverage our accomplishments and sustain our growth momentum. We will, accordingly, focus on marketing lucrative depository, investment and lending products to the corporate, commercial, consumer, SME and agricultural sectors, through an increased network of branches.

Additionally, continued cost discipline will remain a clear priority, focus on fee-based income will be intensified and adoption of new technologies and infrastructure platforms will be encouraged. In times to come, our efforts to increase efficiency and optimize our product and service range will see increased determination.

Economic Review:

During FY06 real GDP remained at its long term growth path with a growth rate of 6.6 percent. FY06 saw the aftermath of the earthquake, rising international competition in the wake of the post quota regime, the impact of oil prices, poor harvests of key crops and rising domestic interest rates. Despite the fact that growth was marginally lower than the Government's 7.0 percent annual target and 8.6 percent expansion seen in the preceding year, the growth is nonetheless commendable given the negative pressures mentioned above.

Robust economic growth, favorable economic policies and increase in key economic indicators have all supported growth within the banking sector. Also, lower rates on national savings schemes and structured policies to ensure usage of banking channels have resulted in overall growth within the sector. Significant contribution to the growth in the banking sector was also made in the form of aggressive marketing and restructuring within banks and privatization.

Financial Performance Review

As at December 31, 2006, total assets of the Bank stood at Rs 12.5 billion with the share holder's equity at Rs 3.004 billion. As the bank was formed on December 30, 2006, the profit and loss account has been prepared for one day only.



Summarized financial data of your Bank is as follows:

	Rupees in 000
Deposits and other accounts	7,198
Investments	2,582
Lending to Financial Institutions	2,826
Advances	1,693
Loss for the period of one day	417

Revenue for the period of one day is Rs 2.050 million and related expense thereto is Rs 1.554 million giving the Net Mark-up/Interest income of Rs 0.496 million. Total Non-Mark up Interest income of Rs 0.101 million has further augmented the income figure to Rs 0.597 million. However, mainly due to amortization effect of intangibles, this income figure is converted into the loss of Rs 0.417 million.

Auditors

The Board of Directors, on the suggestion and consideration of the Audit Committee recommended the names of M/s Ford Rhodes Sidat Hyder & Co. Chartered Accountants as statutory auditors for the next term in place of M/s Ford Rhodes Sidat Hyder & Co. Chartered Accountants and M/s M. Yousuf Adil Saleem & Co. Chartered Accountants. The Auditors being eligible offer themselves for appointment till the conclusion of next AGM.

Credit Rating

Following the merger of Jahangir Siddiqui Investment Bank Limited (JSIBL) with and into JS Bank Limited, PACRA has withdrawn entity ratings of JSIBL (long-term "A+" and short-term "A1"). Meanwhile, PACRA is in the process of assigning entity ratings to JS Bank Limited.

Pattern of Shareholding

Statement of Pattern of Shareholding as on December 31, 2006 appears on Page No. 43 and includes the transactions carried out by Directors, Chief Executive Officer, Chief Financial Officer, Company Secretary and their spouses and minor children.

Statement on Internal Controls

In terms of State Bank of Pakistan Circular No. BSD 7 dated May 27, 2004 "Guidelines on Internal Control", BSD Circular letter no 3 dated January 26, 2005 and BSD Circular No. 1 dated January 14, 2006 the Board of Directors are pleased to endorse the following evaluation of the management:

It is the responsibility of the management to maintain and design an effective system of internal controls. Such a system is designed to manage rather than eliminate the risk of failure, and can only provide reasonable and not absolute assurance, against material misstatement or loss.

The 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

Your bank has been proactive in adopting measures to monitor and mitigate risks associated with the banking industry. The Bank has been rigorously following requirements necessitated under the Institutional Risk Assessment Framework

(IRAF) questionnaire.

The Bank already has a risk management framework commensurate with the nature of its business. That risk management framework includes:

- a) Clearly defined risk management policies and procedures covering risk identification, acceptance, measurement, monitoring, reporting and control;
- b) A well constituted organizational structure defining clearly roles and responsibilities of individuals involved in risk taking as well as managing it. JSBL, in addition to risk management functions for various risk categories has instituted IRMC that supervises overall risk management at the bank;
- c) An effective management information system that ensures flow of information from operational level to top management and a system to address any exceptions observed. There will be an explicit procedure regarding measures to be taken to address such deviations;
- d) A mechanism to ensure an ongoing review of systems, policies and procedures for risk management and procedures to adopt changes.

Statement on Corporate and Financial Reporting Framework

The Directors confirm compliance with the Corporate and financial reporting framework of the Securities and Exchange Commission of Pakistan (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 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 to operate 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.

Subsequent to the balance sheet date the Bank has recently formed a provident fund trust and has applied to the registrar of trust for registration after which the fund will be approved by the Commissioner of Income Tax.



Seven meetings of the Board of Directors were held during the period ended December 31, 2006. The attendance of directors at Board Meetings is as follows:

Name of Director	Eligible to attend	Meetings attended
Jahangir Siddiqui Chairman	7	7
Naveed Qazi Director/CEO	2	2
Mazharul Haq Siddiqui	7	7
Munaf Ibrahim	7	7
Maqbool A. Soomro	7	7
Stephen Christopher Smith	7	4
Basir Shamsie	7	7
Muhammad Yousuf Amanullah	7	7
Zainul Abidin Memon	7	7
Suleman Lalani	7	7

Acknowledgement

The Board would like to take this opportunity to place on record its appreciation for the dedicated services and hard work of the JSBL team. We would also like to thank our valued clients for their patronage and confidence. The Board also expresses its gratitude to the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan, the Central Board of Revenue and the Stock Exchanges for their continued cooperation and guidance.

Karachi: February 27, 2007

Jahangir Siddiqui
Chairman

Statement of Compliance with the best practices of Corporate Governance Period ended December 31, 2006

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 at least seven independent non-executive directors and 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 17, 2006 was filled up by the Board of Directors on August 17, 2006.
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 is in the process of developing 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 will be 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 other executive directors have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board members have been provided an orientation course to apprise them of their duties and responsibilities.
10. The Board has approved appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit (appointed subsequent to December 31, 2006), 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 in its meeting held on January 25, 2007 (subsequent to the effective date of merger i.e. December 30, 2006). It comprises four members, of whom all are non-executive directors including the Chairman of the committee. The terms of reference of the committee have been formed and will be advised to the committee for compliance in its first meeting.
16. The Board has decided to set up an effective internal audit function consisting of a full time internal auditor who is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Bank.
17. 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.
18. 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.
19. 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 27, 2007



REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of JS Bank Limited (the bank) to comply with Regulation G-1 of the Prudential Regulations for Corporate/Commercial Banking issued by the State Bank of Pakistan.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Bank. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the bank's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the bank's personnel and review of various documents prepared by the bank to comply with the Code.

As part of our audit of the 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 of Compliance does not appropriately reflect the bank's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the bank for the period ended December 31, 2006.

FORD RHODES SIDAT HYDER & CO.
Chartered Accountant
Karachi: February 27, 2007

M.YOUSUF ADIL SALEEM & CO.
Chartered Accountant

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **JS Bank Limited** (the bank) as at December 31, 2006, 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 period from March 15, 2006 to December 31, 2006, 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.

These financial statements have been primarily derived from the amalgamated financial statements of the Bank as at December 30, 2006 as required by the SBP, which included opening balances from the audited financial statements of Jahangir Siddiqui Investment Bank Limited (JSIBL) and American Express Bank Limited Pakistan Operations (AEBL) for the period ended December 30, 2006 duly audited by one of the joint auditors M/s Ford Rhodes Sidat Hyder & Co., Chartered Accountants whose reports dated February 27, 2007 and February 23, 2007 respectively expressed unqualified opinions thereon.

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 the amounts and disclosures in the financial statements. An audit also includes assessing 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 drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962) and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies stated in note 6 to the financial statements;
 - (ii) the expenditure incurred during the period was for the purpose of the bank's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the period 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 the 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, 2006 and its true balance of loss, cash flows and changes in equity for the period then ended; and
- (d) in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

FORD RHODES SIDAT HYDER & CO.
Chartered Accountants

M. YOUSUF ADIL SALEEM & CO.
Chartered Accountants

Karachi: February 27, 2007

BALANCE SHEET As At December 31, 2006

	Note	December 31, 2006 Rupees in '000'
ASSETS		
Cash and balances with treasury banks	7	1,912,648
Balances with other banks	8	1,463,280
Lendings to financial institutions	9	2,825,912
Investments	10	2,582,096
Advances	11	1,692,831
Operating fixed assets	12	379,584
Deferred tax assets	13	26,250
Other assets	14	1,662,854
		12,545,455
LIABILITIES		
Bills payable	15	610,623
Borrowings	16	800,005
Deposits and other accounts	17	7,198,149
Sub-ordinated loans		-
Liabilities against assets subject to finance lease		-
Deferred tax liabilities		-
Other liabilities	18	932,870
		9,541,647
NET ASSETS		3,003,808
REPRESENTED BY		
Share capital	19	3,004,225
Reserves		-
Accumulated loss		(417)
		3,003,808
Surplus/ (Deficit) on revaluation of assets		-
		3,003,808
CONTINGENCIES AND COMMITMENTS	20	

The annexed notes from 1 to 33 form an integral part of these financial statements.

Chairman

**President / Chief
Executive**

Director

Director



PROFIT AND LOSS ACCOUNT

FOR THE DAY OF DECEMBER 31, 2006

	Note	For the Day of December 31, 2006 Rupees in '000
Mark-up/Return/Interest Earned	22	2,050
Mark-up/Return/Interest Expensed	23	1,554
Net Mark-up/ Interest Income		496
Provision against non-performing loans and advances		-
Provision for diminution in the value of investments		-
Bad debts written off directly		-
		-
Net Mark-up/ Interest Income after provisions		496
NON MARK-UP/INTEREST INCOME		
Fee, Commission and Brokerage Income		50
Dividend Income		-
Income from dealing in foreign currencies		51
Gain / (Loss) on sale of securities		-
Unrealized Gain / (Loss) on revaluation of investments classified as held for trading		-
Other Income		-
Total non-markup/interest Income		101
		597
NON MARK-UP/INTEREST EXPENSES		
Administrative expenses	24	1,003
Other provisions/write offs		-
Other charges		-
Total non-markup/interest expenses		1,003
		(406)
Extra ordinary/unusual items		-
LOSS BEFORE TAXATION		(406)
Taxation – Current	25	11
- Prior years		-
- Deferred		-
		11
LOSS AFTER TAXATION		(417)
Unappropriated profit/(Loss) brought forward		-
Accumulated loss carried forward		(417)
		(0.00)
Basic Earnings/(Loss) per share		(0.00)
Diluted Earnings/(Loss) per share		(0.00)

The annexed notes from 1 to 33 form an integral part of these financial statements.

Chairman

President / Chief
Executive

Director

Director

CASH FLOW STATEMENT

FOR THE PERIOD FROM MARCH 15, 2006 TO DECEMBER 31, 2006

	Note	For the period from March 15, 2006 to December 31, 2006 Rupees in '000
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation		(406)
Adjustments:		
Depreciation		71
Amortization of goodwill		201
Amortization of intangibles		527
Amortization of deferred cost		4
		803
		397
Increase in Operating assets		
Others assets		(1,244)
Increase/(decrease) in operating liabilities		
Amount paid to AMEX as per transfer agreement		(276,683)
Other liabilities		1,754
		(276,173)
Income tax paid		(94)
Net cash flow from operating activities		(275,870)
CASH FLOW FROM FINANCING ACTIVITIES		
Issue of share capital		240,100
Amount received from JSIBL prior to amalgamation		300,007
Net cash flow from financing activities		540,107
Increase in cash and cash equivalents		264,237
Cash and cash equivalents acquired upon amalgamation from JSIBL		196,032
Cash and cash equivalents acquired upon amalgamation from AEBL		2,915,654
Cash and cash equivalents at end of the period	26	3,375,923

The annexed notes from 1 to 33 form an integral part of these financial statements .

Chairman

**President / Chief
Executive**

Director

Director



STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM MARCH 15, 2006 TO DECEMBER 31, 2006

	Issued, subscribed and paid-up share capital	Accumulated loss	Total
	Rupees in '000		
Issue of ordinary shares of Rs.10/- each fully paid for in cash	240,100	-	240,100
Issue of ordinary shares of Rs.10/- each upon amalgamation to the shareholders of JSIBL (Note 2.2 and 19.2.2)	2,764,125	-	2,764,125
Loss for the period	-	(417)	(417)
Balance as at December 31, 2006	<u>3,004,225</u>	<u>(417)</u>	<u>3,003,808</u>

The annexed notes from 1 to 33 form an integral part of these financial statements .

Chairman

**President / Chief
Executive**

Director

Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM MARCH 15, 2006 TO DECEMBER 31, 2006

1. STATUS AND NATURE OF BUSINESS

- 1.1** 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 Pakistan Operations (AEBL). Consequently, a new banking company, JS Bank Limited (JSBL) was incorporated on March 15, 2006 under the laws of Pakistan with the object of conducting banking business and related services permissible under the Banking Companies Ordinance, 1962 and a restricted Banking License was issued by the State Bank of Pakistan (SBP) on May 23, 2006.
- 1.2** The registered office of JSBL is situated at Shaheen Commercial Complex, Dr. Ziauddin Ahmed Road, Karachi-74200 and it operates with four branches in Pakistan. JSIBL was de-listed at the Karachi Stock Exchange on December 30, 2006 and JSBL will be listed in due course after completion of required legal formalities. Consequent to the amalgamation as described below, JSBL has become a subsidiary of JSCL.

2. ACQUISITION OF JSIBL AND THE TRANSFER OF THE BANKING BUSINESS OF AEBL WITH AND INTO JSBL

- 2.1** During the period, 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/NBFC(J)-R/JSIBL/2006/517 dated September 28, 2006. Subsequently, the Scheme was finally sanctioned by SBP vide its order dated December 02, 2006 and in accordance therewith, the effective date of amalgamation was December 30, 2006.

Under the sanctioned Scheme:

- a) the entire undertaking of JSIBL including all the properties, assets, receivables, liabilities and all the rights and obligations have been transferred into and vested in the JSBL as on the effective date;
 - b) in consideration for the amalgamation under the Scheme, JSBL is required to issue and allot 276,412,500 ordinary shares of Rs. 10/- each, as fully paid-up, to registered ordinary shareholders of JSIBL in the ratio of 3.24 ordinary shares of JSBL for each share of Rs. 10/- of JSIBL;
 - c) all licenses issued by the SECP to JSIBL stand cancelled from the effective date; and
 - d) JSIBL has been dissolved without winding up.
- 2.2** During the period, a separate Transfer Agreement was also executed on June 24, 2006 between AMEX and JSBL for the transfer of AEBL's commercial banking business in Pakistan with all assets and liabilities (other than certain excluded assets and liabilities) (AEBL business). The shareholders of JSBL in their extra ordinary general meeting held on July 31, 2006 approved a Scheme of Amalgamation (the Scheme) under Section 48 of the Banking Companies Ordinance, 1962. The Scheme was sanctioned by SBP vide its order dated December 02, 2006 and in accordance therewith, the effective date of amalgamation was December 30, 2006.

Under the sanctioned Scheme:

- a) the entire undertaking of AEBL including all the properties, assets, receivables, liabilities (other than certain excluded assets and liabilities) and all the rights and obligations have been transferred into and vested in the JSBL as on the effective date;



- b) the Scheme of amalgamation also stipulates that AEBL would subscribe to 20,000,000 ordinary shares of Rs. 10/- each in JSBL;
- c) all licenses issued by SBP to AEBL stand cancelled from the effective date;
- d) AEBL has been dissolved without winding up; and
- e) the other obligations of JSBL to American Express Bank – New York, as per the transfer agreement, comprises the following payments :
 - i) Net asset value of AEBL at the close of business on December 30, 2006 to be confirmed by the auditors (Refer note 18); and
 - ii) In respect of transfer of technical know how, provision of transitional services and technical support for a period of one year and non-compete fee for a period of three years (Refer note 12.3.2 and 12.3.3).

2.3 The amalgamations referred to in note 2.1 and 2.2 above, have been accounted for under the 'purchase accounting method'. Accordingly, these financial statements reflect the assets and liabilities of JSBL on the effective date of amalgamation i.e. December 30, 2006.

The fair values of assets acquired and liabilities assumed as of the effective date of amalgamation are as follows:

	Fair value of assets recognized (JSIBL)	Fair value of assets recognized (AEBL)	Total
	----- Rupees in '000' -----		
ASSETS			
Cash and balances with treasury banks	40,443	1,872,205	1,912,648
Balances with other banks	155,589	1,043,454	1,199,043
Lendings to financial institutions	918,684	1,907,228	2,825,912
Investments	1,547,629	1,034,467	2,582,096
Advances	1,382,066	310,554	1,692,620
Fixed assets	25,681	347,084	372,765
Deferred tax assets	26,250	-	26,250
Other assets	434,079	71,463	505,542
Total Assets	4,530,421	6,586,455	11,116,876
LIABILITIES			
Bills payable	-	610,623	610,623
Borrowings from financial institutions	800,000	5	800,005
Deposits and other accounts	2,257,828	4,940,321	7,198,149
Other liabilities	178,101	91,246	269,347
Total Liabilities	3,235,929	5,642,195	8,878,124
FAIR VALUE OF NET ASSETS	1,294,492	944,260	2,238,752
CONSIDERATION (cost of acquisition)			
276,412,500 Ordinary shares of Rs.10/- each issued at a swap ratio of 3.24 per share (Note 19.2.2)	2,764,125	-	2,764,125
Cash paid / payable	-	938,452	938,452
GOODWILL/(NEGATIVE GOODWILL) ON AMALGAMATION (Note 6.17)	1,469,633	(5,808)	1,463,825

3. BASIS OF PRESENTATION

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

4. STATEMENT OF COMPLIANCE

4.1 These financial statements are prepared in accordance with the approved accounting standards as applicable to banks in Pakistan and the requirements of the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962. Approved accounting standards comprise of such International Accounting Standards (IASs) as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the SECP and the SBP differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962, or the requirements of the said directives take precedence.

4.2 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.

4.3 Accounting standards not yet effective

The Bank has not applied the following accounting standards that have been issued by the International Accounting Standards Board (IASB), but are not yet effective.

4.3.1 International Accounting Standards (IASs)

The amendments to existing standards applicable to the Bank have been published that are mandatory for the Bank's accounting periods beginning on or after January 01, 2006 or later periods:

- IAS 1 – "Presentation of Financial Statements" – Capital Disclosures effective from January 1, 2007

The Bank expects that the above amendments to the above standard will have no significant impact on the Bank's financial statements in the period of initial application.

4.3.2 International Financial Reporting Standards (IFRSs)

A new series of standards called "International Financial Reporting Standards (IFRSs)" have been introduced and eight IFRSs have been issued by IASB under such series. Out of these following four IFRSs have been adopted by Institute of Chartered Accountants of Pakistan (ICAP) and also notified by the SECP:

- IFRS-2 (Share based Payments);
- IFRS-3 (Business Combinations);
- IFRS-5 (Non-current Assets held for Sale and Discontinued Operations); and
- IFRS-6 (Exploration for and Evaluation of Mineral Resources).

These IFRSs are effective from January 01, 2007. The Bank expects that the adoption of these will have no significant impact on the Bank's financial statements in the period of initial application except for impairment testing of goodwill atleast on an annual basis under IFRS-3.



5. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with approved accounting standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment are explained below:

a Provision against non performing loans and advances

The bank reviews its bank portfolio to assess amount of non performing loans and advances and provisions required there against on a quarterly basis. While assessing the requirement various factors including the delinquency in the account, financial position of the borrower, the forced sale value of securities and requirements of prudential regulations are considered. The estimates of the forced sale values are supported by independent valuations of the assets mortgaged/ pledged.

b Fair value of the derivatives

The fair value of the derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant interest rates in effect at the balance sheet date and rates contracted.

c Impairment of available for sale equity investments

The bank determines that available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its costs. This determination of what is significant or prolonged requires judgment. In making this judgment, the bank evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence in deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

d Held to maturity investments

The bank follows the guidance provided in SBP circulars on classifying non derivative financial assets with fixed or determinable payments and fixed maturity as held to maturity. In making this judgment, the bank evaluates its intention and ability to hold such investments to maturity.

e Income taxes

In making the estimates for income taxes currently payable by the bank, the management looks at the current income tax law and the decisions of appellate authorities on certain issues in the past.

f Profit and loss account

The bank has prepared the profit and loss account for one day of December 31, 2006. In preparing the same, the management used its estimates to calculate with reasonable accuracy the amount of income and expenses recognized therein for one day period.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6.1 Cash and cash equivalents

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

6.2 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.

6.3 Trade and settlement 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.

6.4 Investments

Investments in securities are classified as follows:

Held for trading

These are securities, which are either acquired for the purpose of generating profit from short term fluctuations in prices or dealers margins or are securities included in the portfolio in which a pattern of short term profit making exists.

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.

Available for sale

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

Investments are initially recognized at cost being the fair value of consideration given which includes transaction costs associated with the investments.



In accordance with the requirements of Banking Surveillance Department, Circular No. 20, dated August 04, 2000, the surplus/(deficit) arising on securities classified as available for sale investments for which ready quotes are available on Reuters page (PKRV) or stock exchange is kept in a separate account and shown in 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 over the remaining period till maturities.

Investments classified as held to maturity are carried at amortized cost.

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

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

6.5 Financial Instruments

6.5.1 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.

6.5.2 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.

6.6 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.

6.7 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.

6.8 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 are 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. The assets residual values and useful lives are reviewed, and adjusted, if appropriate, at each balance sheet date.

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.

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

An item of fixed assets is derecognized upon disposal or when no future economic benefits are expected from its use. Gains and losses on disposals, if any, of assets are included in income currently.

Intangible

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

Stock exchange membership card

This is carried at cost less impairment, if any. The carrying amount is reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed estimated recoverable amount, these are carried down to their recoverable amount.

Capital work in progress

Capital work in progress is stated at cost.

6.9 Impairment of non-financial assets

The carrying amount of assets is reviewed at each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is taken to profit and loss account currently.

6.10 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.

6.11 Deferred costs

Pre-operating / preliminary expenses are included in deferred costs and these will be amortized over a period of maximum five years on straight line basis from the date of commencement of business.

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.

6.13 Staff retirement benefits

Defined contribution plan

The Bank is in the process of establishing a defined contribution plan for its employees which will be effective from January 01, 2007.

6.14 Revenue recognition

Mark-up / return / interest income is recognised on accrual basis. Profit 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

Foreign currency transactions, if any during the period are recorded at the exchange rates approximating those ruling on the date of transactions. Assets and liabilities, if any held in foreign currencies at the balance sheet date are translated at the rates prevailing on that date. Exchange differences are taken to income currently.

Forward contracts are valued at forward rates applicable to the respective maturities of the relevant contracts.

6.17 Goodwill

Goodwill represents the difference between the cost of acquisition and the fair value of the JSBL's share of net identifiable assets of the acquired entities at the date of acquisition. It is amortised using the straight line basis over its estimated useful economic life, not exceeding 20 years commencing from the effective date of acquisition. At each balance sheet date, goodwill is reviewed for indication of impairment or changes in estimated future benefits. If such indication exists, an analysis is performed to assess whether the carrying amount of goodwill is fully recoverable or not. A write down is made if the carrying amount exceeds the recoverable amount.

6.18 Fiduciary assets

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

	December 31, 2006
Note	Rupees in '000'
7. CASH AND BALANCES WITH TREASURY BANKS	
In hand	
- Local currency	78,933
- Foreign currency	75,642
With State Bank of Pakistan in	
- Local currency current account	830,113
- Foreign currency accounts	
- Cash reserve account- non remunerative	7.1 66,636
- Special cash reserve account - remunerative	7.2 198,688
- Local US dollar instruments collection and settlement account	
- remunerative	7.3 4,613
- AEBL's capital with State Bank of Pakistan	18.2 658,023
	<u>1,912,648</u>

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 from 3.39% to 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 from 3.39% to 4.39% per annum.

	Note	December 31, 2006
		Rupees in '000'
8. BALANCES WITH OTHER BANKS		
In Pakistan		
On current account		261,218
On deposit account	8.1	190,923
Outside Pakistan		
On current account	8.2	69,944
On deposit account	8.3	941,195
		<u>1,463,280</u>



- 8.1 These carry mark up at the rates ranging from 1.00% to 11.80% per annum.
- 8.2 This include balances of Rs. 30,253(000) held with branches of American Express Bank Ltd. outside Pakistan.
- 8.3 This represents term placements deposited with branches of American Express Bank Ltd. outside Pakistan. These carry interest rates ranging from 3.55% to 5.22% per annum.

9. LENDINGS TO FINANCIAL INSTITUTIONS	Note	December 31, 2006 Rupees in '000'
Call money lendings	9.2	754,250
Repurchase agreement lendings(Reverse Repo)	9.3	<u>2,071,662</u>
	9.1	<u><u>2,825,912</u></u>

9.1 PARTICULARS OF LENDING

In local currency 2,825,912

- 9.2 These represent placements and call money lendings at interest rates ranging from 7.50% to 12.60% per annum with maturities upto March 2007.

9.3 SECURITIES HELD AS COLLATERAL AGAINST LENDING TO FINANCIAL INSTITUTIONS	Note	December 31, 2006		
		Held by bank	Further given as Collateral Rupees in '000	Total
Market Treasury Bills		1,871,662	-	1,871,662
Pakistan Investment Bonds		<u>200,000</u>	-	<u>200,000</u>
9.3.1		<u><u>2,071,662</u></u>	<u>-</u>	<u><u>2,071,662</u></u>

- 9.3.1 These have been purchased under resale agreement at rates ranging from 80% to 8.8% per annum with maturities in March 2007. The fair value of these securities amounted to Rs. 2,072,309(000) as at December 31, 2006.

10. INVESTMENTS	Note	December 31, 2006		
		Held by bank	Given as collateral Rupees in '000	Total

10.1 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	180,781	-	180,781
Term Finance Certificates- listed	379,582	-	379,582
Term Finance Certificates- unlisted	322,760	-	322,760
Mutual Fund Units	111,634	-	111,634
	<u>2,076,824</u>	-	<u>2,076,824</u>

Associates

Quoted certificates / shares			
- BSJS Balanced Fund Limited	99,701	-	99,701
- Azgard Nine Limited	130,066	-	130,066
- UTP Large Capital Fund	193,646	-	193,646
	<u>423,413</u>	-	<u>423,413</u>

Un-quoted shares

- JS Infocom Limited	81,859	-	81,859
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Total investment at cost

	<u>2,582,096</u>	<u>-</u>	<u>2,582,096</u>
Less: Provision for diminution in value of investments	-	-	-

Investments (net of provision)

	2,582,096	-	2,582,096
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Surplus/(deficit) on revaluation of available for sale securities

	-	-	-
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Total investments at market value

	<u><u>2,582,096</u></u>	<u>-</u>	<u><u>2,582,096</u></u>
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10.2 INVESTMENTS BY SEGMENTS:	Note	December 31, 2006 Rupees in '000'
Federal Government Securities:		
- Market Treasury Bills	10.2.1	489,688
- Pakistan Investment Bonds	10.2.2	592,379
Fully Paid Ordinary Shares		
- Listed Companies	10.2.3	310,847
- Unlisted Company	10.2.4	81,859
Term Finance Certificates		
- Term Finance Certificates – Listed	10.2.5	379,582
- Term Finance Certificates – Unlisted	10.2.6	322,760
Mutual fund units	10.2.7	404,981
Total investments at cost		<u>2,582,096</u>
Less: Provision for diminution in value of investments		-
Investments (net of provisions)		<u>2,582,096</u>
Surplus/(deficit) on revaluation of available for sale securities		-
Total investments at market value		<u><u>2,582,096</u></u>

10.2.1 Market treasury bills are for period of six months. Bank's yield is 8.81% per annum with maturity upto March 2007. 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 (PIB's) with interest income receivable semi-annually at the rate ranging from 6.0% to 9.60% per annum with a maximum remaining term of 10 years.

10.2.3 Details of investments in listed shares

Available-for-sale securities	No. of shares	Paid up value per share	Total paid up value	Market Value/ Cost
		(Rupees)	---- Rupees in '000 ----	
- D. G. Khan Cement Limited - 10% Cumulative Preference shares - Redemption: After four years of issuance.	1,512,542	10	15,125	14,142
- Pakistan International Container Terminal Limited	1,248,000	10	12,480	71,136
- Chenab Limited– 9.25% Cumulative Preference shares- Redemption: six months from the date of call / put notice.	13,357,000	10	133,570	95,503
- Azgard Nine Limited	5,939,109	10	59,391	130,066
				<u><u>310,847</u></u>



10.2.4 Associates - unlisted shares

Represents investment of 10,790,000 fully paid ordinary shares of Rs. 10 each (Equity held 14.63%) in JS Infocom Limited (formerly SPELL Telecommunications Limited) having book value of Rs. 6.78 per share as per un-audited balance sheet as at December 31, 2006.

10.2.5 Details of investments in Term Finance Certificates – listed*

	No. of certificates	Rating	Market value / Cost Rupees in '000
United Bank Limited	14,702	AA-	66,650
Prime Commercial Bank Limited	66	A	333
Chanda Oil and Gas Securitization Company Limited	5,895	A	24,561
Hira Textile Mills Limited	4,994	A	25,205
Bank Alfalah Limited	2,512	A-	12,603
Crescent Leasing Corporation Limited	541	A-	2,732
First Dawood Investment Bank Limited - 2nd issue	3,527	AA-	17,900
Muslim Commercial Bank Limited	46	AA	233
Pakistan Mobile Communication	19,040	AA-	98,893
Sitara Chemical Industries Limited	471	AA-	817
Sui Southern Gas Company Limited – 2nd issue	1,500	AA	1,261
Trust Leasing Corporation Limited	2,000	AA	7,204
Standard Chartered Pakistan Limited – 1st issue	6,208	AA-	31,300
WorldCall Communications Limited	10,240	AA-	14,839
Crescent Standard Investment Bank Limited	1,000	Suspended	1,356
Ittehad Chemicals Limited	2,000	A	5,046
Pakistan Services Limited	3,504	A-	10,055
Al Zamin Leasing Modaraba	5,800	A	18,734
Standard Chartered Pakistan Limited - 2nd issue (unsecured)	8,400	AA-	39,860
			379,582

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

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

Name of the Company	Repayment frequency	Profit Rate per annum	Maturity Date
United Bank Limited	Semi- annually	9.49%	March 15, 2013
Prime Commercial Bank Limited	Semi- annually	6 months KIBOR ask rate +190bps with no Floor and Cap	February 10, 2013
Chanda Oil and Gas Securitization Company Limited	Quarterly	3 months KIBOR ask rate + 325bps with 8.95% as Floor and 13% as Cap	February 16, 2012
Hira Textile Mills Limited	Semi- annually	6 months KIBOR ask rate + 2.5% with no floor and no cap	March 17, 2010
Bank Alfalah Limited	Semi- annually	1.35% above the cut-off yield of the last successful SBP auction of five year PIBs with 10.00% as floor and 15.50% as ceiling.	December 19, 2008
Crescent Leasing Corporation Limited	Semi- annually	2.00% above the cut-off yield of the last successful SBP auction of five year PIBs with 12.00% as floor and 15.75% as ceiling.	September 5, 2007
First Dawood Investment Bank Limited - 2nd issue	Semi- annually	1.75% above SBP's discount rate with 12.25% as floor and 16.25% as ceiling.	July 27, 2007

Name of the Company	Repayment frequency	Profit		Maturity Date
		Rate per annum		
MCB Bank Limited	Semi-annually	1.50% above the cut off yield of the last successful SBP auction of five year PIBs with 11.75% as floor and 15.75% as ceiling.		February 10, 2008
Pakistan Mobile Communication	Semi-annually	6 months KIBOR ask rate + 285bps.		May 26, 2011
Sitara Chemical Industries Limited	Semi-annually	12.00%		June 20, 2007
Sui Southern Gas Company Limited - 2 nd issue	Semi-annually	1.10% above SBP's discount rate with 11.50% as floor and 16.00% as ceiling.		June 4, 2007
Trust Leasing Corporation Limited	Semi-annually	2.00% above SBP's discount rate with 9.00% as floor and 14.00% as ceiling.		June 3, 2008
Standard Chartered Pakistan Limited - 1 st issue	Semi-annually	2.25% above the cut off yield of the latest successful SBP auction of five year PIBs with 11.00% as floor and 15.50% as ceiling.		June 21, 2008
WorldCall Telecom Limited	Semi-annually	1.75% above SBP's discount rate with 12.25% as floor and 16.25% as ceiling.		September 30, 2007
Crescent Standard Investment Bank Limited	Semi-annually	2.00% above SBP's discount rate with 10.50% as floor and 13.50% as ceiling.		July 8, 2007
Ittehad Chemicals Limited	Semi-annually	2.50% above SBP's discount rate with 7.00% as floor and 12.00% as ceiling.		June 27, 2008
Pakistan Services Limited	Semi-annually	2.25% above SBP's discount rate with 9.75% as floor and 13.75% as ceiling.		November 12, 2008
Al Zamin Leasing Modaraba	Semi-annually	8%		December 24, 2008
Standard Chartered Pakistan Limited - 2nd issue (unsecured)	Semi-annually	Cut off yield of latest successful auction of 5 years PIB + 0.75% p.a. with 5% as floor and 10.75% as ceiling.		January 20, 2011

10.2.6 Details of investments in Term Finance Certificates – unlisted

Company name	No. of certificates	Face value per certificate	Cost
			Rupees in '000
Escort Investment Bank Limited	10	5,000,000	49,960
Pakistan Mobile Communication (Private) Limited	5,700	5,000	22,800
UIG (Private) Limited	25	10,000,000	250,000
			322,760

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

Name of the Company	Repayment frequency	Profit		Maturity Date
		Rate per annum		
Escort Investment Bank Limited	Semi-annually	275bps over Six months KIBOR with floor at 5% and ceiling at 10%		September 27, 2009
Pakistan Mobile Communication (Private) Limited	Semi-annually	2.25% above the average of the last three six-month Treasury Bill cut-off yields with 6.00% as floor and 12.00% as ceiling.		September 16, 2008
UIG (Private) Limited	Semi-annually	3.00% above KIBOR with a floor of 13.00% and no cap		June 26, 2008

10.2.7 Mutual fund units

Name of the fund	No. of units	Rating	Face value Rupees	Market value / Cost Rs. in '000s
Crosby Dragon Fund	957,972	1-Star	100	89,283
First Dawood Mutual Fund	3,519,809	4-Star	10	22,351
BSJS Balanced Fund Limited	8,745,668	5-Star	10	99,701
UTP Large Capital Fund	24,205,790	4-Star	10	193,646
				404,981



	Note	December 31, 2006 Rupees in '000'
11. ADVANCES		
Loans, cash credits, running finances, etc. - in Pakistan		607,765
Bills discounted and purchased (excluding treasury bills)		
Payable in Pakistan		109
Financing in respect of continuous funding system	11.2	<u>1,193,656</u>
Advances – gross		<u>1,801,530</u>
Provision for non-performing advances - specific	11.3	<u>(108,699)</u>
Advance – net of provision		<u><u>1,692,831</u></u>
11.1 Particulars of advances (Gross)		
11.1.1 In local currency		<u><u>1,801,530</u></u>
11.1.2 Short term (for up to one year)		<u>1,775,700</u>
Long term (for over one year)		<u>25,830</u>
		<u><u>1,801,530</u></u>

11.2 The fair value of the securities held in respect of continuous funding system as on December 31, 2006 amounted to Rs.1,152,349(000).

11.3 Advances include Rs. 108,699(000) which have been placed under non-performing status as detailed below:-

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

11.4 Particulars of provisions against non-performing advances

	<u>December 31, 2006</u>		
	Specific	General	Total
	Rupees in '000		
In local currency	108,699	-	108,699
In foreign currencies	-	-	-
	<u><u>108,699</u></u>	<u>-</u>	<u><u>108,699</u></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 period ended December 31, 2006 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, 2006 Rupees in '000
11.6 Particulars of loans and advances to directors, associated companies, etc.		
Debts due by directors, executives or officers of the bank or any of them either severally or jointly with any other persons		<u>1,052</u>
12. OPERATING FIXED ASSETS		
Capital work-in-progress	12.1	4,256
Property and equipment	12.2	78,172
Intangible assets	12.3	<u>297,156</u>
		<u>379,584</u>
12.1 Capital work-in-progress		
Advance for purchase of vehicles		<u>4,256</u>

12.2 Property and equipment

	COST				DEPRECIATION				Rate of Depreciation %	
	As at March 15, 2006	Additions during the period	Acquired upon Amalgamation	As at December 31, 2006	As at March 15, 2006	Acquired upon Amalgamation	Charge/ Impairment	As at December 31, 2006		Book value as at December 31, 2006
	Rupees in '000									
Building on lease hold land	-	-	40,138	40,138	-	-	-	-	40,138	2.5
Furniture and fixture	-	-	52,504	52,504	-	29,154	-	29,154	23,350	10-20
Electrical, office and computer equipments	-	1,607	83,722	85,329	-	75,940	45	75,985	9,344	12.5-33.3
Vehicles	-	1,554	16,748	18,302	-	12,936	26	12,962	5,340	20
	-	<u>3,161</u>	<u>193,112</u>	<u>196,273</u>	-	<u>118,030</u>	<u>71</u>	<u>118,101</u>	<u>78,172</u>	

12.2.1 Included in cost of property and equipment are fully depreciated items still in use having cost of Rs. 70,082(000).

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

12.3 Intangible assets

		COST			AMORTIZATION			Book value as at December 31, 2006	Rate of amortization %
		As at March 15, 2006	Acquired upon amalgamation	As at December 31, 2006	As at March 15, 2006	Acquired upon amalgamation	Amortization		
		Rupees in '000							
Stock Exchange Card	12.3.1	-	21,000	21,000	-	-	-	21,000	
Non-compete fee	12.3.2	-	126,683	126,683	-	-	116	126,567	33.33
Technical know how	12.3.3	-	150,000	150,000	-	-	411	149,589	100
		-	<u>297,683</u>	<u>297,683</u>	-	-	<u>527</u>	<u>297,156</u>	

12.3.1 Represents the membership card of Islamabad Stock Exchange. It has an indefinite useful life and is carried at cost and not amortized.

12.3.2 Represents non-compete fee, of Rs.150 million which has been subsequently adjusted by Rs. 23.317 million vide the stipulations stated in the agreement dated November 10, 2005 between the parties, paid to AMEX for a period of three years (Refer note 2.2).

12.3.3 Represents costs of transfer of technical know how, provision of transitional services and technical support paid to AMEX for a period of one year (Refer note 2.2)



13.	DEFERRED TAX ASSETS	December 31, 2006
		Rupees in '000
	Deferred debits arising in respect of:	
	Tax losses	25,125
	Deductible temporary differences	1,212
	Deferred credits arising due to	
	Unrealized gain on government securities	(87)
		<u>26,250</u>

The deferred tax asset relating to JSIBL in respect of tax losses is 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. Accordingly, deferred tax on the temporary differences and business losses available for carry forward is recognized.

		December 31, 2006
		Rupees in '000
14.	OTHER ASSETS	
	Income/ Mark-up accrued in local currency	48,648
	Income/ Mark-up accrued in foreign currency	24
	Advances, deposits, advance rent and other prepayments	28,463
	Taxation (payments less provision)	60,794
	Receivable against sale of marketable securities	21,241
	Stationery and stamps on hand	38
	Prepaid exchange risk fee	732
	Unrealized gain on forward foreign exchange contracts	357
	Advance for subscription of TFCs - unsecured	25,535
	Goodwill	2.3 & 14.1 1,463,624
	Deferred costs – unamortized balance	14.2 6,736
	Others	6,662
		<u>1,662,854</u>

14.1 Reconciliation of carrying amount of goodwill

		December 31, 2006
		Rupees in '000
	Cost upon amalgamation	1,463,825
	Amortization for the period	(201)
	At December 31, 2006	<u>1,463,624</u>

14.2 Represents preliminary expenses incurred in respect of incorporation and amalgamation of the Bank and accordingly these expenses will be amortized over a period of five years. Reconciliation of carrying amount of deferred cost is as follows:

		December 31, 2006
		Rupees in '000
	Cost incurred during the period	6,740
	Amortization for the period	(4)
	At December 31, 2006	<u>6,736</u>

15. BILLS PAYABLE

		December 31, 2006
		Rupees in '000
	In Pakistan	591,864
	Outside Pakistan	18,759
		<u>610,623</u>

			December 31, 2006 Rupees in '000
16. BORROWINGS			
In Pakistan			800,000
Outside Pakistan			<u>5</u>
			<u>800,005</u>
16.1 Particulars of borrowings with respect to currencies			
In local currency			800,000
In foreign currencies			<u>5</u>
			<u>800,005</u>
16.2 Details of borrowings – unsecured			
Call borrowings	16.2.1		800,000
Overdrawn nostro accounts	16.2.2		<u>5</u>
			<u>800,005</u>
16.2.1	Represents amount borrowed from banks/ NBFCs and carry mark-up rates ranging from 11.00% to 11.60% per annum having maturity upto January 2007.		
16.2.2	Represents borrowings of Rs. 5(000) from branches of American Express Bank Limited outside Pakistan.		
17. DEPOSITS AND OTHER ACCOUNTS	Note		December 31, 2006 Rupees in '000
Customers			
Fixed deposits			3,018,679
Savings deposits			3,021,986
Current Accounts - Non-remunerative			1,149,494
Margin account			<u>7,802</u>
			7,197,961
Financial Institutions			
Non-remunerative deposits			188
			<u>7,198,149</u>
17.1 Particulars of deposits			
In local currency			5,745,095
In foreign currencies			<u>1,453,054</u>
			<u>7,198,149</u>
18. OTHER LIABILITIES			
Mark-up/ Return/ Interest payable in local currency			88,402
Mark-up/ Return/ Interest payable in foreign currency			947
Accrued expenses			54,935
Unclaimed dividends			4,822
Payable for purchase of marketable securities			3,255
Subscription amount received as banker to the issue	18.1		95,503
Deposit from customer			664
Payable to AMEX	18.2		661,769
Others			<u>22,573</u>
			<u>932,870</u>



18.1 Represents subscription money received against TFCs and shares as bankers to the issue.

18.2 Subsequent to the period end, an amount of Rs. 658,023(000) 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. The above transaction was confirmed by SBP via its letter no. F.D SEC/14742/173-2006 dated December 29, 2006.

19. SHARE CAPITAL

19.1 Authorized Capital

		December 31, 2006
		Rupees in '000
<u>550,050,000</u>	Ordinary shares of Rs.10/- each	<u>5,500,500</u>

Note
**December 31,
2006**
Rupees in '000

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

			240,100
<u>24,010,000</u>	Issued for cash		<u>240,100</u>
<u>276,412,500</u>	For consideration other than cash	19.2.2	<u>2,764,125</u>
<u>300,422,500</u>			<u>3,004,225</u>

19.2.1 Pursuant to amalgamation, Jahangir Siddiqui & Company Limited (the holding company), held 172,521,177 Ordinary shares of Rs. 10/- each as at December 31, 2006 (57.43%).

19.2.2 Under the Scheme of Arrangement for amalgamation of JSIBL with and into JSBL as approved by SBP vide its sanction letter dated December 02, 2006, the Bank has to issue 276,412,500 shares of Rs.10/- in exchange for 85,312,500 shares of Rs.10/- each of JSIBL at the swap ratio of 3.24 to 1 share held. The corporate formalities in respect of issue were in the process of completion as at balance sheet date which were completed subsequently and the shares were issued.

20. CONTINGENCIES AND COMMITMENTS

**December 31,
2006**
Rupees in '000

20.1 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
- ii) Others

7,860
908
<u>8,768</u>

20.2 Other Contingencies

1,039,510

These are claims which have not been acknowledged as debt due to remote probability of crystallization.

20.3 Commitments in respect of forward exchange contracts

Purchase		<u>2,100,726</u>
Sale		<u>1,998,007</u>

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

**December 31,
2006
Rupees in '000**

20.4 Other commitments

Forward sale commitments	95,000
Underwriting commitments	10,000
Pre-IPO commitments	15,000

US dollars 450,000 or actual service cost, whichever is lower, for the computer software and Technical Services and Technical Support in respect of AEBL's business for a period of one year.

21. 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 Bank's business is conducted within a developed control framework, underpinned by written policies and procedures duly approved by the management. The management has developed a structure that clearly defines roles, responsibilities and reporting lines.

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 6.5.2.

Note	For the Day of December 31, 2006 Rupees in '000
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22. MARK-UP/RETURN/INTEREST EARNED

a) On Loans and advances to: i) Customers	136
ii) Financial Institutions	515
b) On Investments in: Available for sale Securities	572
c) On Deposits with financial institutions	178
d) On Securities purchased under resale agreements	649
	2,050



	Note	For the Day of December 31, 2006 Rupees in '000
23. MARK-UP/RETURN/INTEREST EXPENSED		
Deposits		1,307
Securities sold under repurchase agreements		247
		<u>1,554</u>
24. ADMINISTRATIVE EXPENSES		
Audit fee – M. Yousuf Adil Saleem & Co.		100
– Ford Rhodes Sidat Hyder & Co.		100
Depreciation	12.2	71
Amortization of intangible assets	12.3	527
Amortization of goodwill	14.1	201
Amortization of deferred cost	14.2	4
		<u>1,003</u>
25. 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		
		December 31, 2006 Rupees in '000
26. CASH AND CASH EQUIVALENTS		
Cash and Balance with Treasury Banks		1,912,648
Balance with other banks		1,463,280
Overdrawn Nostro account		(5)
		<u>3,375,923</u>
27. STAFF STRENGTH		December 31, 2006 Number
Permanent		18
Total Staff Strength		<u>18</u>
27.1	Effective from January 01, 2007, the Bank hired 94 permanent staff and 30 outsourced staff.	

28. FAIR VALUE OF FINANCIAL INSTRUMENTS

28.1 On-balance sheet financial instruments

	December 31, 2006	
	Book value	Fair value
	Rupees in '000	
Assets		
Cash balances with treasury banks	1,912,648	1,912,648
Balances with other banks	1,463,280	1,463,280
Lending to financial institutions	2,825,912	2,825,912
Investments	2,582,096	2,582,096
Advances	1,692,831	1,692,831
Other assets	130,611	130,611
	<u>10,607,378</u>	<u>10,607,378</u>
Liabilities		
Bills payable	610,623	610,623
Borrowings	800,005	800,005
Deposits and other accounts	7,198,149	7,198,149
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Other liabilities	932,870	932,870
	<u>9,541,647</u>	<u>9,541,647</u>

28.2 Off-balance sheet financial instruments

Forward purchase of foreign exchange	2,100,726	2,100,726
Forward sale of foreign exchange	1,998,007	1,998,007
Forward sale commitments	95,000	95,000
Underwriting commitments	10,000	10,000
Pre-IPO commitments	15,000	15,000

As at December 31, 2006, the fair value of on-balance sheet and off-balance sheet financial instruments has been based on the valuation methodology outlined below:

All quoted investments have been stated at their market values. All un-quoted investments have been stated at lower of cost or realizable value, being their estimated fair values.

Fair value of loans and advances cannot be determined with reasonable accuracy due to absence of current and active market. Loans and advances are repriced frequently on market rates and are reduced for any impairment against non-performing advances determined in accordance with Prudential Regulations.

Fair value of all other assets and liabilities including long-term deposits cannot be calculated with reasonable accuracy as active market does not exist for these instruments. In the opinion of the management, fair value of these 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 deposits are frequently repriced.

Other financial instruments

The fair value of all other on-balance sheet and off-balance sheet financial instruments are considered to approximate their book values as they are short-term in nature.



29. RELATED PARTY TRANSACTIONS

Related parties comprise the parent company, associated undertakings, directors and key management personnel of the bank and its parent. The bank in the normal course of business carries out transactions with various related parties. The transactions with the related parties are made at normal market prices.

There are no transactions with key management personnel.

The related party status of outstanding receivables and payable as at December 31, 2006 are included in respective notes to the financial statements. Material transactions with related parties are given below:

Relationship with the Bank	Nature of transactions	For the period from March 15, 2006 to December 31, 2006 Rupees in '000
Common directorship		
JSIBL before amalgamation	Cash received	300,007
	Payments on behalf of the Bank	15,395
JS & Sons (Private) Limited	Shares issued	40,099

30. CAPITAL ADEQUACY

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

		December 31, 2006 Rupees in '000	
Regulatory Capital Base			
Tier I Capital			
Shareholders Capital		3,004,225	
Reserves		-	
Accumulated loss		(417)	
Less: Adjustments		(1,463,624)	
Total Tier I Capital		1,540,184	
Total Regulatory Capital	(a)	1,540,184	
Risk-Weighted Exposures			
		Book Value	Risk Adjusted Value
Credit Risk			
Balance Sheet Items:-			
Cash and other liquid Assets		3,375,928	292,656
Money at call		754,250	150,850
Investments		4,653,758	1,500,029
Loans and Advances		1,382,277	1,350,941
Fixed Assets		379,584	379,584
Other Assets		1,689,104	116,014
		12,234,901	3,790,074
Off Balance Sheet items			
Loan Repayment Guarantees		6,491	6,491
Purchase and Resale Agreements			
Performance Bonds etc		2,277	1,139
Revolving underwriting Commitments		10,000	5,000
Outstanding Foreign Exchange Contracts			
-Purchase		2,100,726	7,583
-Sale		1,998,007	7,992
-Other commitments		110,000	110,000
		4,227,501	138,205
Credit risk-weighted exposures			3,928,279
Market Risk			
General market risk			584
Specific market Risk			-
Market risk-weighted exposures			7,300
Total Risk-Weighted exposures	(b)		3,936,163
Capital Adequacy Ratio [(a) / (b) x 100]			39.13%

31. RISK MANAGEMENT

31.1 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.



31.1.1 Segmental Information

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

31.1.1.1 Segment by class of business

	December 31, 2006					
	Advances		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	0.00	167	1.90
Textile	38,966	2.30	27,554	0.38	-	-
Construction	-	-	6,787	0.09	125	1.43
Shoes and leather garments	-	-	276	0.00	-	-
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	7.76
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 organisations	-	-	14,909	0.21	181	2.06
Mining	-	-	200,000	2.78	-	-
Insurance	-	-	222,122	3.09	-	-
Services	-	-	58,081	0.81	-	-
Individuals	342,107	20.21	2,554,526	35.49	-	-
Others	118,102	6.98	3,581,759	49.76	7,615	86.85
	1,692,831	100.00	7,198,149	100.00	8,768	100.00

31.1.1.2 Segment by sector

	December 31, 2006					
	Advances		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public/Government	-	-	13,275	0.18	7,860	89.64
Private	1,692,831	100	7,184,874	99.82	908	10.36
	1,692,831	100	7,198,149	100	8,768	100.00

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

	December 31, 2006	
	Rupees in '000	
	Classified Advances	Specific Provisions Held
Textile	75,737	75,737
Automobile and transportation equipment	2,298	2,298
Electronics and electrical appliances	662	662
Individuals	899	899
Others	29,103	29,103
	108,699	108,699

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

Public / Government	-	-
Private	108,699	108,699
	108,699	108,699

31.1.1.5 Geographical Segment Analysis

	Total assets employed	Net assets Employed
Pakistan	12,545,455	3,003,808
	12,545,455	3,003,808

31.2 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 be arise from activities categorized as off balance sheet item. JSBL has introduced market risk limits for treasury operations. Market risk limits for the treasury operations are approved by the BOD on annual basis with details of authorized products, overall quantity of risk and value-at-risk limit.

31.2.1 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 markets. 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, 2006			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency Exposure
	----- 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
	<u>1,358,168</u>	<u>2,135,558</u>	<u>753,993</u>	<u>(23,397)</u>
	12,545,455	9,541,647	-	3,003,808

31.2.2 Equity position Risk

Investments in equity are generally regarded as riskier relative to fixed income securities owing to the inherent volatility of stock market prices. The risk forms various factors and the bank mitigates these risk through diversification and capping maximum exposure in a single sector/company, compliance with SECP corporate governance rule, following guidelines as per investment policy manual as set by the Board of directors. The bank follows a delivery verses payment settlement system thereby minimizing risk available risk in relation to settlement risk.

31.2.3 Mismatch of Interest Rate Sensitive Assets and Liabilities

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. The bank is exposed to interest/mark-up rate risk as a result of mismatches or gaps in the amount of interest/mark up based assets and liabilities that mature or re-price in a given period. The bank manages this risk by matching/re-pricing of assets and liabilities. The bank is not excessively exposed to interest/mark-up rate risk as its assets and liabilities are repriced frequently. The assets and liabilities committee (ALCO) of the bank monitors and manages the interest rate risk with the objective of limiting the potential adverse effects on the profitability of the bank.

	Effective Yield/Interest rate	Total	December 31, 2006										
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	Non-interest bearing financial instruments	
On-balance sheet financial instruments													
Assets													
Cash and balances with treasury banks	3.39 - 4.39	1,912,648	203,301	-	-	-	-	-	-	-	-	-	1,709,347
Balances with other banks	1.00 - 11.80	1,463,280	982,118	150,000	-	-	-	-	-	-	-	-	331,162
Lending to financial institutions	7.80 - 12.60	2,823,912	2,650,912	175,000	-	-	-	-	-	-	-	-	-
Investments	6.00-13.63	2,582,096	8	22,524	130,111	1,292,570	200,094	39,857	156,977	51,913	-	-	688,042
Advances	0.00-15.00	1,682,831	1,338,609	148,043	39,588	140,761	22,260	2,856	714	-	-	-	-
Other assets	12.49	130,611	25,535	-	-	-	-	-	-	-	-	-	105,076
		10,607,378	5,200,483	498,567	169,689	1,433,331	222,354	42,713	157,691	51,913	-	-	2,833,627
Liabilities													
Bills payable		610,623	-	-	-	-	-	-	-	-	-	-	610,623
Borrowings	11.00-11.60	800,005	800,005	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	2.52-12.75	7,196,149	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 gap		1,065,731	(900,718)	(433,771)	(216,592)	1,094,375	219,854	32,713	(72,177)	51,913	-	-	1,290,134
Off-balance sheet financial instruments													
Forward Lending		95,000	-	-	-	-	-	-	-	-	-	-	-
Forward borrowings		-	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		95,000	-	-	-	-	-	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap		(805,718)	(433,771)	(216,592)	1,094,375	219,854	32,713	(72,177)	51,913	-	-	-	1,290,134
Cumulative Yield/Interest Risk Sensitivity Gap		(805,718)	(1,239,489)	(1,456,081)	(361,076)	(141,862)	(109,139)	(181,316)	(129,403)	(129,403)	(129,403)	(129,403)	1,160,731

31.3 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.

31.3.1 Maturities of Assets and Liabilities

Total	December 31, 2006								
	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	Rupees In '000								
Assets									
Cash and balances with treasury banks	1,912,648	1,912,648	-	-	-	-	-	-	-
Balances with other banks	1,463,280	1,313,280	150,000	-	-	-	-	-	-
Lending to financial institutions	2,825,912	2,650,912	175,000	-	-	-	-	-	-
Investments	2,582,096	8	22,524	130,111	1,668,986	511,720	39,857	156,977	51,913
Advances	1,692,831	1,338,609	148,043	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	26,250	-	-	-	-	-	-	-
	12,545,455	7,434,424	495,567	176,212	2,001,428	576,188	84,921	261,178	51,913
									1,463,624
Liabilities									
Bills payable	610,623	610,623	-	-	-	-	-	-	-
Borrowings	800,005	800,005	-	-	-	-	-	-	-
Deposits and other accounts	7,198,149	5,337,482	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	932,870	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-
	9,541,647	7,680,960	929,338	350,005	338,956	2,500	10,000	229,868	-
Net assets	3,003,808	(246,536)	(433,771)	(173,793)	1,662,472	573,688	74,921	31,310	51,913
									1,463,624
Share capital	<u>3,003,808</u>								

Some assets/ liabilities of a bank do not have a contractual maturity date. The period in which these assets/ liabilities are assumed to mature should be taken as the expected date on which the assets/ liabilities will be realized/ settled. The above maturity analysis should be based on the remaining period at the balance sheet date to the contractual maturity date. Further, the analysis should be expressed in terms of contractual maturities even though the contractual repayment period is often not the effective period because contractual dates reflect the liquidity risks attaching to the bank's assets and liabilities.

31.4 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 I.T security.

At the more detailed level, while procedures are generally documented, the Bank has utilized the services of a professional organization to document revised procedure 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 the establishment of a separate Operational and Risk Control Unit.



32. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on February 27, 2007

33. GENERAL

- 33.1** The figures in the financial statements have been rounded off to the nearest thousand.
- 33.2** The financial statements have been prepared for the first period of operations, therefore, there are no comparative figures to report. The profit and loss account has been prepared for one day subsequent to obtaining banking license and effective date of amalgamation .
- 33.3** 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.

Chairman

President / Chief Executive

Director

Director



Details of transactions carried out by Directors, Chief Executive Officer (CEO), Chief Financial Officer (CFO), Company Secretary and their spouses and minor children during the period from March 15, 2006 to December 31, 2006

No transactions were carried out by any of the Directors, CEO, CFO, Company Secretary and their spouses and minor children.

**PATTERN OF SHAREHOLDING
FORM 34**

**SHAREHOLDER'S STATISTICS
As at December 31, 2006**

No. of Shareholders	Shareholding		Total shares held
	From	To	
141	1	100	3,683
254	101	500	68,784
220	501	1000	169,897
1149	1001	5000	3,031,644
303	5001	10000	2,269,549
231	10001	15000	2,773,347
106	15001	20000	1,787,387
50	20001	25000	1,127,964
36	25001	30000	983,341
42	30001	35000	1,361,692
14	35001	40000	529,140
21	40001	45000	904,152
42	45001	50000	2,001,823
10	50001	55000	526,947
8	55001	60000	456,418
13	60001	65000	823,740
7	65001	70000	477,766
3	70001	75000	216,675
7	80001	85000	571,860
2	85001	90000	175,932
3	90001	95000	279,936
6	95001	100000	583,200
5	100001	105000	511,667
4	105001	110000	429,824
2	110001	115000	226,800
3	115001	120000	351,216
2	120001	125000	244,739
4	125001	130000	514,026
2	130001	135000	268,110
2	145001	150000	291,600
3	150001	155000	458,113
1	155001	160000	159,949
4	160001	165000	648,000
1	165001	170000	168,480
4	170001	175000	689,348
1	185001	190000	187,920
2	190001	195000	388,800
1	220001	225000	221,130
1	250001	255000	252,396
1	255001	260000	259,200
1	270001	275000	270,864



No. of Shareholders	Shareholding		Total shares held
	From	To	
1	340001	345000	344,412
1	350001	355000	352,188
1	410001	415000	414,315
1	455001	460000	455,220
1	485001	490000	486,000
2	530001	535000	1,069,209
1	630001	635000	631,800
2	645001	650000	1,296,000
1	665001	670000	667,440
1	710001	715000	712,800
1	745001	750000	745,200
1	890001	895000	892,620
2	970001	975000	1,942,704
1	990001	995000	993,060
1	1180001	1185000	1,183,410
1	1455001	1460000	1,458,000
1	1965001	1970000	1,966,680
1	2020001	2025000	2,025,000
1	2260001	2265000	2,264,436
1	4005001	4010000	4,009,989
1	8675001	8680000	8,676,720
1	20000001	20005000	20,000,001
1	20385001	20390000	20,388,963
1	27255001	27260000	27,258,097
1	33165001	33170000	33,169,500
1	139350001	139355000	139,351,677
2,741			300,422,500

<u>Categories of Shareholders</u>	<u>Shares Held</u>	<u>Percentage</u>
Banks, Development Financial Institutions, and Non Banking Finance Institutions.	3,012,769	1.00
Insurance Companies	27,230,747	9.06
Directors, Chief Executive Officer, And Their Spouse And Minor Children		
Mr. Jahangir Siddiqui	1	
Mr. Munaf Ibrahim	2,917	
Mr. Naveed Qazi	1	
Mr. Mazharul Haq Siddiqui	534,610	
Mr. Suleman Lalani	1	
Mr. Zainul Abidin Memon	1	
Mr. Basir Shamsie	1	

Mr. Muhammad Yousuf Amanullah	1	
Mr. Stephen Christopher Smith	1	
Mr. Maqbool Ahmed Soomro	10	
Mrs. Akhter Jabeen Siddiqui	145,800	

Sub-totals : **683,344** **0.23**

Associated Companies, Undertaking And Related Parties.

M/S. American Express Bank Limited	20,000,001	
M/S. Jahangir Siddiqui & Co. Limited	172,521,177	
Sub-totals :	192,521,178	64.08

Modarabas And Mutual Funds. **11,148,425** **3.71**

NIT And ICP

M/S. Investment Corporation Of Pakistan.	4,212	
National Bank Of Pakistan, Trustee Dept.	27,258,097	
Sub-totals :	27,262,309	9.07

Foreign Investors **1,074,065** **0.36**

Others **7,523,357** **2.51**

Individual

Local - Individuals **29,966,306** **9.98**

Grand Total **300,422,500** **100.00**
 =====

**Shareholder / CDC Beneficial Owners
 Holding Shares 10% Or More:**

M/S. Jahangir Siddiqui & Co. Limited. -----
172,521,177
 =====



Details of transactions carried out by Directors, Chief Executive Officer (CEO), Chief Financial Officer (CFO), Company Secretary and their spouses and minor children during the period from March 15, 2006 to December 31, 2006

No transactions were carried out by any of the Directors, CEO, CFO, Company Secretary and their spouses and minor children.

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

FORM OF PROXY
1st Annual General Meeting

I/We _____ of _____
_____ being member(s) of **JS Bank Limited**, holding
_____ ordinary shares as per Registered 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 Annual General Meeting of the Company to be held on March 30, 2007
and / or any adjournment thereof.

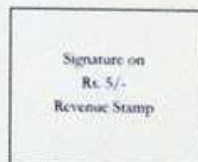
As witness my / our hand / seal this _____ day of _____ 2007. Signed by _____ in
the presence of (name & address) _____

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. 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.
2. 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.
3. If a member appoints more than one proxies and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.
4. Any individual Beneficial Owner of the Central Depository Company, entitled to vote at this meeting must bring his / her Computerised National Identity card with him / her to prove his / her identity, and in case of proxy, must enclose an attested copy of his / her Computerised National Identity Card. Representatives of Corporate members should bring the usual documents required for such purpose.



JS Bank Limited

AFFIX
CORRECT
POSTAGE

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



JS Bank Limited

Head office:

Shaheen Commercial Complex

Dr. Ziauddin Ahmed Road, P.O. Box 4847

Karachi-74200, Pakistan

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