Annual Report | 2008

Samba Bank Limited

(formerly Crescent Commercial Bank Limited)

samba سامبا

Contents

Financial Statements

samba سامبا

Company Information

Board of Directors

Syed Sajjad Razvi	Chairman
Mr. Beji Tak - Tak	Executive Director
Mr. Farhat Abbas Mirza	Independent Director
Mr. Javed Iqbal	Independent Director
Mr. Mubashar Hanif Khokhar	Independent Director
Dr. Shujaat Nadeem	Executive Director
Mr. Zaki Abdul Mohsen Al-Mousa	Executive Director
Mr. Zahid Zaheer	Independent Director
Mr. Tawfiq A. Husain	President & CEO

Audit Committee

Mr. Javed Iqbal	Chairman
Mr. Beji Tak - Tak	Member
Mr. Zahid Zaheer	Member

Board Credit Committee

Mr. Tawfiq A. Husain	Member
Mr. Beji Tak - Tak	Member
Syed Sajjad Razvi	Member
Mr. Zahid Zaheer	Member

Company Secretary

Mrs. Mehnaz Ikram

Auditors

A. F. Ferguson & Co. — Chartered Accountants

Legal Advisors

Mohsin Tayebaly & Co. — Advocates & Legal Consultants
Hassan & Hassan Advocates

Head Office & Registered Office

6th Floor, Sidco Avenue Centre, M.D.M. Wafai Road, Karachi.

Share Registrar

Femco Associates (Pvt.) Limited
4th Floor, State Life Building No. 2-A,I.I. Chundrigar Road, Karachi.

Samba Phone Banking

11 11 SAMBA (72622)

Website

www.samba.com.pk

Credit Rating by JCR-VIS

Long Term Credit Rating	A (single A)
Short Term Rating	A-1 (A-One)

Vision, Mission and Core Values

Vision

A progressive, vibrant and resourceful bank aiming to be a household name by winning over customers through quality services.

Mission

A bank distinguished for offering the widest range of competitive and innovative products and services to its customers with efficiency and personalized service.

A bank for:

Addressing the financial needs of our commercial and investment banking clients. Fulfilling the personal and household requirements of our individual clients. Recognizing and supporting SME's potential for growth.

- A responsible corporate citizen, maintaining high level of governance, ethical standards and prudence.
- Leveraging technology to meet customers changing needs.
- A challenging and rewarding work environment resulting in gains for all stakeholders.

Core values

Customer First

Our guiding principles shall be customer oriented when assessing, designing and introducing new products, services and technology.

Outstanding Quality

Getting it right the first time will be our motto. Achieve excellence in the products and services we offer our clients through innovation, efficiency and quality.

Motivated & Well Trained Staff

Our competitive edge is our human resource. We will endeavor to:

(i) Source & retain top talent

(ii) Train and develop our employees, and

(iii) Introduce a culture of reward and recognition.

Professionalism & Integrity

Honesty, integrity, prudence and fairness is our organization's ethos and shall be reflected in our dealings with customers and colleagues creating a bond of trust and confidence.

Empowerment

Empower individuals at all levels, delegate authority, encourage use of judgment and create responsible leadership.

Team Work

We believe that the workplace should operate like a cohesive unit. With common goals and team spirit we will uphold our values and achieve our corporate goals.

Enhanced Value

We will provide a solid foundation to build upon a steady, scalable and profitable business enterprise, enhancing the value for all our stakeholders.

Board of Directors


Syed Sajjad Razvi


Mr. Tawfiq A. Husain

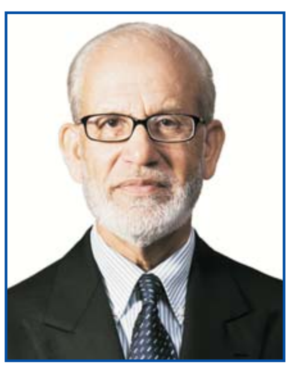

Mr. Zaki Abdul Mohsen Al-Mousa

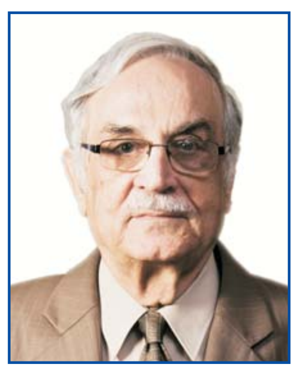

Mr. Beji Tak - Tak


Dr. Shujaat Nadeem


Mr. Mubashar Hanif Khokhar


Mr. Farhat Abbas Mirza


Mr. Javed Iqbal


Mr. Zahid Zaheer

Chairman s Message

I am pleased to present the annual performance of your bank for the year 2008 and to share some of my thoughts on 2009.

As you may already know, Samba Financial Group (Samba) acquired a majority shareholding in your bank in March 2007. This acquisition was Samba s first acquisition outside Kingdom of Saudi Arabia and represents Samba s long-term strategy in Pakistan. Samba s presence in Pakistan is the testament of Pak-Saudi friendship which both countries have enjoyed over many years. This was also highlighted by the Governor of State Bank of Pakistan in her inaugural speech at the launching ceremony of Samba Bank Limited on November 1, 2008 where she said that the friendship between Saudi Arabia and Pakistan is long lasting, deep rooted and futuristic. Since the acquisition, your bank has been actively involved in the technology and systems integration with Samba, an extensive exercise which was successfully completed in October 2008. With integration completed, the name of your bank was changed from Crescent Commercial Bank Limited to Samba Bank Limited to represent Samba s brand and commitment to Pakistan. All of this has been made possible as a result of a very clear and consistent strategy outlined by the Board of Directors in 2008, and implemented through the tireless efforts and commitment of the management and the employees of your bank.

Last year was a very challenging year not only for Pakistan but globally. It represented significant global macro economic turmoil; re-rating of equity, credit, FX, and commodity markets; and a re-distribution of investment across financial markets and geographies. It is anticipated that 2009 will also present similar challenges. To address some of these challenging market conditions in 2008, the Board of Directors and the Management of your bank undertook various initiatives, many of which may not be immediately visible to you. I would like to take this opportunity to share some of our strategic priorities that we have worked on in 2008 and will continue to pursue in 2009.

- The most important ingredient of Samba' s success is its people. I am happy to report that we have a credible, highly respected and seasoned banker, Mr. Tawfiq A. Husain, as the new Chief Executive Officer from May 2008. To ensure the strategic fit of people, we continue to inculcate a culture of high performance through competency-based recruitment and employee development. At the same time, we encourage talent transfer within the Samba network which allows us to have best in class team in place. During 2008, several of your bank' s high caliber employees were sent to Samba for trainings and development and we will continue to make similar investment in 2009.

- To ensure that we provide world class banking services to our customers that made our brand successful in the Kingdom of Saudi Arabia, your bank has invested heavily in systems and infrastructure. This has enabled your bank to swiftly graduate to Samba standards. To ensure a technological edge in a highly competitive environment, all our branches are now fully integrated with our parent and most of our branches have been upgraded to Samba standard providing seamless customer services across Pakistan.

- With re-branding and launch of the " Samba" brand in Pakistan, your bank is now on solid footing to launch world class banking services and products that Samba is recognized for in the Kingdom of Saudi Arabia. As it is imperative that we offer products to cater to our customers' changing needs, your bank plans to bring innovation and value-addition into our local product offerings.

As we execute on our other strategic priorities, our focus on the financial performance and profitability of your bank is paramount. We are doing this by re-assessing our target market, improving our business mix, adding diversification to our income streams, and capitalizing on every opportunity where Samba can leverage its core competence. This will allow us to align ourselves better with the local market conditions and leverage business opportunities within and outside Pakistan. This will ensure the long term growth and sustainable profitability for your bank.

I would like to take this opportunity to thank all my colleagues in Samba Financial Group, the Board of Directors, the Management, and the Employees of Samba Bank Limited for all their efforts and dedication during 2008. I am confident that Samba Bank Limited is now on a path to achieving greater success in 2009 as we execute on our business plan and long-term strategy.

Syed Sajjad Razvi
Chairman

The Executive Team

Left to right

Mr. Farooq Masroor	Corporate Banking Head (North)
Mr. Saleem Merchant	Head - Centralised Operations
Mr. M. Ali Jangda	Operations & Technology Head
Mr. Shahid Hassan	Head - HR & Training
Syed Ali Azfar Naqvi	Chief Financial Officer
Mrs. Samina Hamid Khan	Chief Credit Officer
Mr. Tawfiq A. Husain	President & Chief Executive Officer
Mrs. Mehnaz Ikram	Company Secretary & Head of Legal Affairs
Syed Murtaza Gilani	Distribution Head - Liability Business
Syed Jamal Baquar	Group Head - Global Market & Corporate Investment Banking
Mr. Sajid Hussain	Chief Internal Auditor
Mr. Shad Mehamood Khan	Head - Consumer Banking
Syed Ghazanfar Agha	Treasurer
Mr. Nasir Aziz Khan	Head - IRMD / Regional Director (North)

samba is excellence

Who we are and what we do

Who we are

Samba Bank Limited is a majority owned subsidiary of Samba Financial Group, a premier financial institution from the Kingdom of Saudi Arabia, and one of the largest banks in the Middle East. Samba acquired 68.4% stake in Crescent Commercial Bank Limited (CCBL) in March 2007. CCBL was subsequently re-branded as Samba Bank Limited in Pakistan on October 20, 2008. The bank is listed on all three bourses of the country namely Karachi, Lahore, and Islamabad.

The Samba brand portrays financial strength, innovation, expertise, commitment, and partnership with its customers. Samba Bank Limited is committed to providing world class banking services to our customers and plans to bring innovation and value-addition into our local product offerings.

Samba Bank Limited has a network of twenty eight (28) branches, twelve located in Karachi, seven in Lahore, four in Islamabad, and one each in Peshawar, Sialkot, Multan, Gujranwala and Faisalabad. Samba Bank Limited plans to expand its footprint by opening new state-of-the-art branches while at the same time promoting Alternative Distribution Channels (ATMs, Samba Phone, Samba Online, etc.).

The bank s Board of Directors along with a management team of more than 500 outstanding professionals led by Mr. Tawfiq A Husain, President and CEO, bring with them rich banking and business experience, indepth knowledge of the global banking industry and a deep understanding of the opportunities and challenges faced by the bank. The team s primary objective is to turn the organization into one of the top performing financial institutions in the country.

Samba Financial Group

Samba Financial Group, established by Royal Decree, has a long and established history and continues to deliver value and excellence of service to existing clients in the Kingdom of Saudi Arabia. Over the last two decades, the bank has grown from being Saudi Arabia's premier bank into an international financial services entity with presence in Europe, the Middle East, and South Asia. Starting as a single branch of Citibank, N.A. in Jeddah in 1955, Samba Financial Group has become the leading financial institution in the region, offering the full spectrum of banking services (including Corporate & Investment Banking, Consumer Banking, Private Banking and Asset Management).

Samba Financial Group s extensive client relationships, unmatched expertise, broad platform and extraordinary talent are among the many features that differentiate it from its peers. It is the most internationally acclaimed bank in the Kingdom and the region, winning more recognition from top publications and independent

1955

Citibank opens its first branch in Jeddah. It opens another branch in Riyadh in 1966.

1980

Citibank Saudi Arabia moves to majority local ownership and becomes Saudi American Bank.

1984

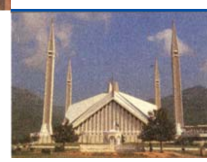
Saudi American Bank opens its first overseas branch in London.

1999

Saudi American Bank merges with United Saudia Bank, creating one of the largest financial institutions in the Middle East

2003

September 14, 2003 Saudia American Bank moves to full local management, To mark this important milestone, the bank offically adopts the name its loyal customers have been using for over two decades: Samba. Its legal name becomes Samba Financial Group.



2007

Samba expands to Pakistan and Dubai, and creates sambacapital, a new investment house specializing in world class brokerage, assed management and investment banking services.

international organizations for its world class products and services than any other Saudi bank. Indeed, Samba Financial Group has been named the Best Bank in Saudi Arabia a record 23 times and Best Bank in the Middle East 3 times.

Samba Philosophy

Samba has a clear statement of philosophy on how people should be treated and supported. Samba Vision, Samba Core Values and SambaWay are more than mere words. They drive the overall objectives and encourage employee development.

Going forward, subject to Board s approval, in Pakistan we plan to align our vision and core values with the Samba philosophy, which are:

Samba Vision

To be the most admired financial institution in Pakistan providing world class services and innovative solutions through its people and technology, yielding superior returns and demonstrating responsible corporate citizenship.

Samba Core Values

- Meritocracy
- Teamwork & Partnership
- Integrity
- Respect & Dignity
- Equal Opportunities & Diversity

SambaWay

Samba believes in winning, for its customers, its shareholders and Samba employees. To win, it creates and maintains an environment of mutual trust and support.

What we do

Samba Bank Limited offers world class products and services to its corporate, retail and individual clients. A brief description of its products and services is as under:

Corporate & Investment Banking

The Corporate Banking Group at Samba Bank Limited believes in relationship building with some of the country s top-tier local companies, multi-national companies and public sector enterprises through offering comprehensive and tailor made financial solutions to suit their banking needs. With the support of its parent, Samba Financial Group, Samba Bank Limited has unparalleled ability to effectively execute transactions anywhere in the world.

Our Investment Banking Group advises its clients on a full range of strategic transactions including mergers, acquisitions, divestitures, buy-outs, strategic alliances, and restructurings. We aim to deliver an integrated approach that draws upon our strengths in providing strategic partnership, industrial research and deal structuring expertise. Our clients include public enterprises, private local companies, private equity investors and global corporations.

Global Transaction Services Group offers transaction banking solutions for clients to manage working capital efficiently. Using innovation coupled with technology to deliver transaction banking solutions to facilitate benefits such as efficient cash management, maximize returns on cash management and improved security and audit controls.

Global Markets

Global Markets business includes Treasury which manages the Bank s liquidity and propriety trading positions across various currencies and markets and Structured Products which focuses on providing top quality value-added structured solutions and advisory services to corporate clients. Our client service includes offering expert advice on interest rate and foreign currency movements and the provision of structured solutions to meet our clients ever-changing financial and business needs. The product expertise, financial strength, and market access of our parent, Samba Financial Group, gives us significant competitive advantage in the local market. We continue to leverage on

Samba Treasury s world class expertise to help us meet local business needs and to establish Samba Bank Limited as a leader in the domestic market for derivatives and structured transactions.

Consumer Banking

Consumer banking serves the needs of consumer in an effective and efficient manner and believes in providing customers state-of-the-art products and services which are far superior to our competitors. Currently, Samba Bank Limited is working to expand its products and services across the consumer segment.

Consumer Banking primarily manages deposit mobilisation for the bank through its Branch Banking network which consists of twenty eight branches across Pakistan. These branches serve as the distribution network for deposit products. Most of these branches are upgraded at Samba standards to provide world class services and products to cater our clients needs.

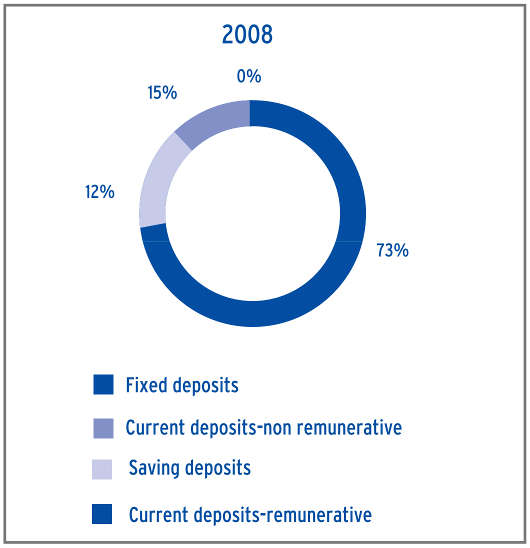
samba is heritage

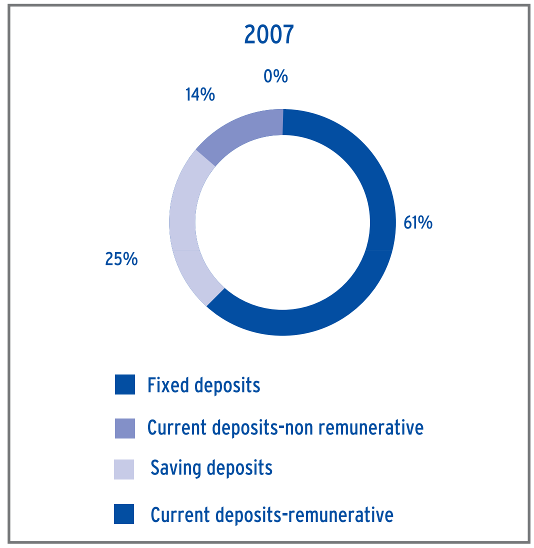
Six Years' Performance Highlights

Rs. in Millions

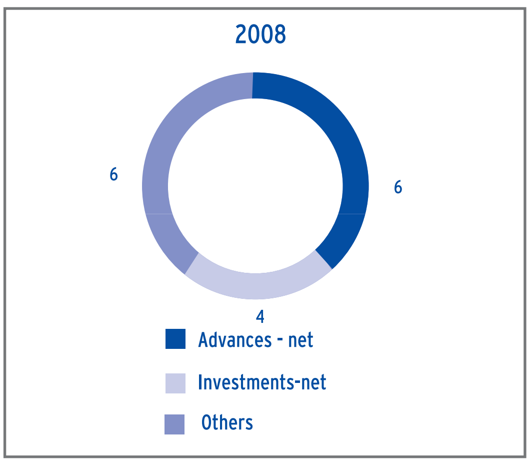
December 31	2003	2004	2005	2006	2007	2008
Balance Sheet						
		Restated		Restated		
Assets						
Cash and balances with treasury and other banks	474	1,095	950	915	1,067	1,106
Lending to financial institutions	1,621	532	778	493	8,566	2,313
Investments- Gross	1,529	2,953	2,352	2,473	4,277	4,232
Advances - Gross	2,251	5,803	5,332	4,013	7,105	8,606
Operating Fixed assets	361	749	831	846	854	1,158
Other assets - Gross	635	1,725	1,248	1,421	1,670	2,049
Total assets - Gross	**6,871**	**12,857**	**11,491**	**10,161**	**23,539**	**19,464**
Provisions against advances - specific & general	(558)	(1,786)	(1,608)	(1,618)	(2,413)	(2,443)
Provisions against diminution in value of investment	(163)	(358)	(191)	(245)	(329)	(402)
Provisions held against bad & doubtful other assets	(20)	(118)	(72)	(119)	(142)	(131)
Total assets - net of provision	**6,130**	**10,595**	**9,620**	**8,179**	**20,655**	**16,488**
Liabilities						
Customer deposits	3,478	5,093	5,985	5,578	12,645	9,860
Borrowings	389	1,946	1,259	442	183	438
Bills payable	78	168	57	51	1,057	55
Other liabilities	337	1,044	687	529	568	672
Sub-ordinated loans	-	-	-	-	-	-
Total Liabilities	**4,282**	**8,251**	**7,988**	**6,600**	**14,453**	**11,025**
Net Assets / Liabilities	**1,848**	**2,344**	**1,632**	**1,579**	**6,202**	**5,463**
Share capital	1,476	2,216	2,216	2,770	8,770	8,770
Reserves	262	136	136	43	43	43
Un - appropriated profit / (loss)	89	3	(741)	(1,220)	(2,594)	(3,336)
Equity	**1,827**	**2,355**	**1,611**	**1,593**	**6,219**	**5,477**
Surplus on revaluation of assets	**21**	**(11)**	**21**	**(14)**	**(17)**	**(14)**
Profitability						
Markup / Return / Interest earned	76	234	469	483	1,183	1,758
Markup / Return / Interest expensed	31	136	403	552	838	1,071
Net Markup / Interest income	**45**	**98**	**66**	**(69)**	**345**	**687**
Fee, Commission, Brokerage and Exchange income	13	45	76	21	15	61
Capital gain & Dividend income	13	30	21	43	85	17
Other income	166	41	21	20	28	47
Non interest income	192	116	118	84	128	125
Gross income	**237**	**214**	**184**	**15**	**473**	**812**
Operating expenses	(74)	(223)	(514)	(681)	(893)	(1,510)
Profit / (Loss) before provisions	**163**	**(9)**	**(330)**	**(666)**	**(420)**	**(698)**
Provisions / direct write offs	(46)	(74)	(409)	(183)	(953)	(313)
Profit / (Loss) before taxation	**117**	**(83)**	**(739)**	**(849)**	**(1,373)**	**(1,011)**
Taxation	(6)	(4)	(5)	261	50	269
Profit / (Loss) after taxation	**111**	**(87)**	**(744)**	**(588)**	**(1,323)**	**(742)**

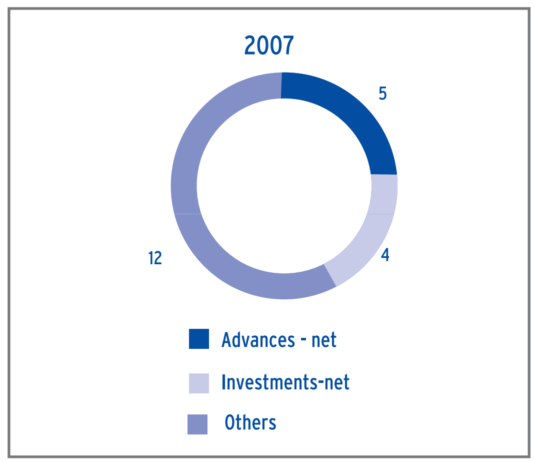
Deposit Mix (Percentage))



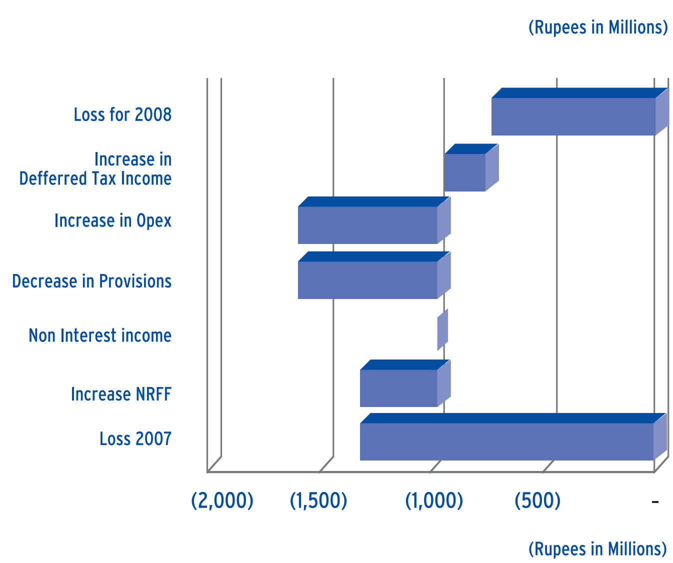


Assets Composition (Rupees in Billion)





Profit & Loss Reconciliation



Six Years' Performance Highlights

December 31		2003	2004	2005	2006	2007	2008
Financial Ratios							
Return on equity (RoE)	%	6%	-4%	-38%	-37%	-34%	-13%
Return on assets (RoA)	%	1.81%	-1.04%	-7.36%	-6.60%	-9.18%	-4.00%
Profit before tax ratio (Profit before tax / Gross Income)	%	49%	-39%	-404%	-5450%	-290%	-125%
Gross spread ratio	%	59%	42%	14%	-14%	29%	39%
Return on capital employed (ROCE)	%	6%	-4%	-38%	-37%	-34%	-13%
Advances to deposits ratio (ADR)	%	49%	79%	62%	43%	37%	*63%
Income to expense ratio	Times	3.2	1.0	0.36	0.02	0.53	0.54
Efficiency Ratio (cost to revenue)	%	31.3%	104.0%	278.9%	4677.8%	188.5%	185.9%
Growth in gross income	%	-	-10%	-14%	-92%	2942%	72%
Growth in net profit / (loss) after tax	%	-	-179%	-753%	21%	-125%	44%
Total assets to shareholders' funds	Times	3.4	4.5	6.0	5.1	3.3	3.0
Intermediation cost ratio	%	2.1%	5.2%	9.3%	11.8%	9.8%	13.4%
NPL ratio	%	34.02%	48.22%	38.89%	49.50%	26.35%	22.79%
Net infection ratio	%	12.81%	25.87%	13.28%	20.78%	1.74%	2.84%
Share Information							
Earning Per Share (EPS)	Rs.	1.77	(0.54)	(3.36)	(2.21)	(1.82)	(0.85)
Market value per share - at the end of the year	Rs.	11.65	12.10	15.40	15.10	20.95	4.94
Market value per share - highest / lowest during the year	Rs.	16.54/8.63	16.60/9.50	18.50/9.10	19.0/7.75	25.10/14.60	21.50/3.55
Book value per share	Rs.	12.5	10.6	7.4	5.7	7.1	6.2
Other Information							
Non - performing loans (NPLs)	Rs. in millions	766	2,798	2,073	1,987	1,872	1,961
Number of employees	Nos.	133	334	495	709	1,224	1,026
Number of branches	Nos.	6	12	18	18	28	28

*ADR as per SBP BSD Circular No. 28 of 2008 dated Oct 26, 2008 is 39%

Vertical and Horizontal Analysis

Vertical Analysis

Balance Sheet	2003	2004	2005	2006	2007	2008
Assets						
Cash and balances with treasury and other banks	7.7%	10.3%	9.9%	11.2%	5.2%	6.7%
Lending to financial institutions	26.4%	5.0%	8.1%	6.0%	41.5%	14.0%
Investments- Net	22.3%	24.5%	22.5%	27.2%	19.1%	23.2%
Advances - Net	27.6%	37.9%	38.7%	29.3%	22.7%	37.4%
Operating Fixed assets	5.9%	7.1%	8.6%	10.3%	4.1%	7.0%
Other assets - Net	10.0%	15.2%	12.2%	15.9%	7.4%	11.6%
Total assets - Net	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Liabilities						
Customer deposits	56.7%	48.1%	62.2%	68.2%	61.2%	59.8%
Borrowings	6.3%	18.4%	13.1%	5.4%	0.9%	2.7%
Bills payable	1.3%	1.6%	0.6%	0.6%	5.1%	0.3%
Other liabilities	5.6%	9.9%	7.1%	6.5%	2.7%	4.1%
Total Liabilities	69.9%	77.9%	83.0%	80.7%	70.0%	66.9%
Share capital	24.1%	20.9%	23.0%	33.9%	42.5%	53.2%
Reserves	4.3%	1.3%	1.4%	0.5%	0.2%	0.3%
Un - appropriated profit / (loss)	1.4%	0.0%	-7.7%	-14.9%	-12.6%	-20.2%
	29.9%	22.2%	16.7%	19.5%	30.1%	33.2%
Surplus on revaluation of assets	0.3%	-0.1%	0.2%	-0.2%	-0.1%	-0.1%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Horizontal Analysis

Balance Sheet	2003	2004	2005	2006	2007	2008
Assets						
Cash and balances with treasury and other banks	100.0%	231.1%	200.5%	193.1%	225.2%	233.4%
Lending to financial institutions	100.0%	32.8%	48.0%	30.4%	528.5%	142.7%
Investments- Net	100.0%	190.0%	158.2%	163.1%	289.0%	280.4%
Advances - Net	100.0%	237.2%	219.9%	141.5%	277.1%	364.0%
Operating Fixed assets	100.0%	207.4%	230.1%	234.4%	236.6%	320.7%
Other assets - Net	100.0%	261.4%	191.4%	211.7%	248.6%	312.0%
Total assets - Net	100.0%	172.9%	157.0%	133.4%	337.0%	269.0%
Liabilities						
Customer deposits	100.0%	146.4%	172.1%	160.4%	363.6%	283.5%
Borrowings	100.0%	500.5%	323.7%	113.8%	47.0%	112.6%
Bills payable	100.0%	215.9%	73.0%	64.9%	1355.9%	71.0%
Other liabilities	100.0%	310.1%	204.0%	157.2%	168.7%	199.7%
Total Liabilities	100.0%	192.7%	186.6%	154.1%	337.6%	257.5%
Share capital	100.0%	150.1%	150.1%	187.7%	594.3%	594.3%
Reserves	100.0%	52.1%	52.1%	16.5%	16.5%	16.5%
Un - appropriated profit / (loss)	100.0%	3.9%	-836.3%	-1377.4%	-2928.4%	-3766.4%
	100.0%	126.8%	88.3%	85.4%	335.7%	295.7%
Surplus on revaluation of assets	100.0%	-51.3%	101.2%	-65.9%	-83.9%	-68.1%
	100.0%	-172.9%	157.0%	133.4%	337.0%	269.0%

Statement of Value Addition

	(Rupees in thousands)	
Value Added	**2008**	**2007**
Income from banking services	810,536	471,693
Cost of services	(677,158)	(325,187)
Value added by banking services	133,378	146,506
Non - banking income	1,590	1,791
Provision against non-performing assets	(313,464)	(953,622)
	(178,496)	(805,325)
Value Allocated to employees		
Salaries, allowances and other benefits	715,594	489,454
to Government		
Income tax	(269,130)	(49,787)
to providers of capital		
as dividends		
to expansion and growth		
Depreciation / Amortization	117,351	77,900
Retained in business	(742,311)	(1,322,892)
	(178,496)	(805,325)

samba is expertise

Directors Report

On behalf of the Board of Directors, I wish to present the annual report of your bank for the year ended December 31, 2008.

During the year, the bank has rebranded to Samba Bank Limited , to align and integrate with Samba Financial Group, Kingdom of Saudi Arabia. With the successful integration, the bank is well positioned to offer world class services and products to its clients in Pakistan.

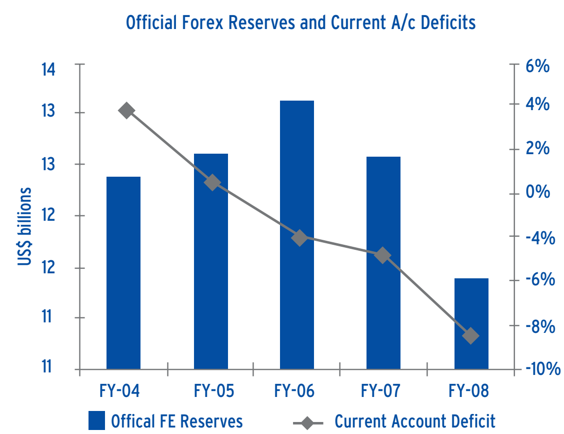
Economic Highlights

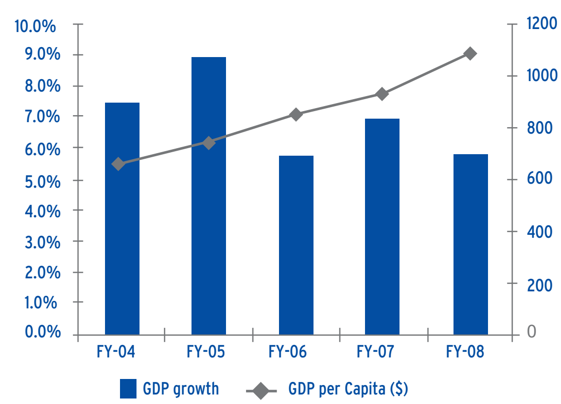
Pakistan s economy faced a series of challenges during 2008 precipitated by the sharp rise in international commodity prices which largely resulted in burgeoning balance of payments and fiscal deficits. Economic growth during 2008 slowed to 5.8%, as compared to 6.8% recorded a year earlier. The slowdown was largely due to nearly flat growth in agriculture sector and lower growth in the manufacturing sector, while the services sector continued to grow strongly.

Fiscal deficit jumped to 7.4% of GDP in 2008, as the government substantially raised energy subsidies, resulting in unprecedented levels of borrowing by the government, over 90% of which was monetized through borrowing from the SBP. The resultant monetary overhang has pushed inflation in excess of 20%, forcing State Bank of Pakistan to later severely tighten monetary policy and raise the policy rate by 500 basis points since January 2008.

Exports performed in line with targets, growing by an impressive 13.2%, while overseas workers remittances continued to exhibit impressive growth. However, 30.9% jump in imports pushed the trade deficit to historic highs. Consequently, current account deficit reached an unsustainable 8.4% of GDP resulting in rapid depletion of foreign exchange reserves and sharp depreciation in the value of the Pak Rupee. The country, as a consequence, had to turn to the IMF for assistance in the form of a US$ 7.2 billion Standby Arrangement.

Pakistan has been largely insulated from the global financial crises. It is benefiting from the sharp fall in international crude oil prices, with the import bill expected to decline substantially during 2009, but it is likely that the country s exports will be





negatively impacted by the global economic slowdown. The major macroeconomic indicators, however, are showing signs of improvement as the government has curtailed spending and reduced the fiscal deficit. Yet, the economy remains somewhat vulnerable to exogenous shocks and continued fiscal prudence will be required to bring the economy back on growth mode.

Change of Name

Subsequent to State Bank of Pakistan s approval, the name of your bank has changed from Crescent Commercial Bank Limited to Samba Bank Limited, effective October 20, 2008. The re-branded bank is a subsidiary of Samba Financial Group, Kingdom of Saudi Arabia and is incorporated in Pakistan.

Bank s Financial Review

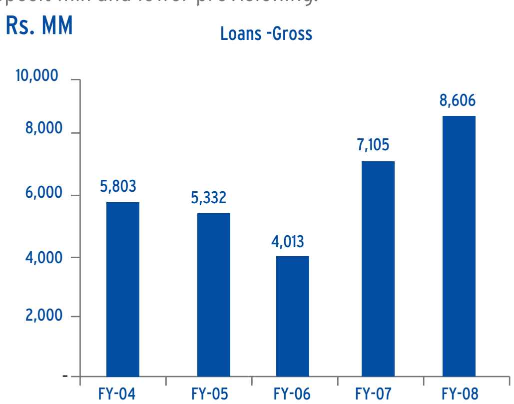
The financials of your bank for the year ended December 31, 2008 under review are summarized below.

	2008	2007
	Rupees in thousand	
Operational loss before provisions and taxation	(697,977)	(419,057)
Provisions / direct write offs	(313,464)	(953,622)
Loss before taxation	(1,011,441)	(1,372,679)
Taxation	269,130	49,787
Loss after taxation	(742,311)	(1,322,892)
Accumulated loss brought forward	(2,593,956)	(1,220,064)
Share issue cost	-	(51,000)
Accumulated loss carried forward	(3,336,267)	(2,593,956)
Loss per share – Rupees	(0.85)	(1.82)

During the year, your bank focused on integration with its parent, Samba Financial Group, Kingdom of Saudi Arabia. The bank underwent a comprehensive exercise to integrate its core banking platform and other systems with the parent. As a result, the bank has successfully positioned itself to offer world class services & suite of products to its customers.

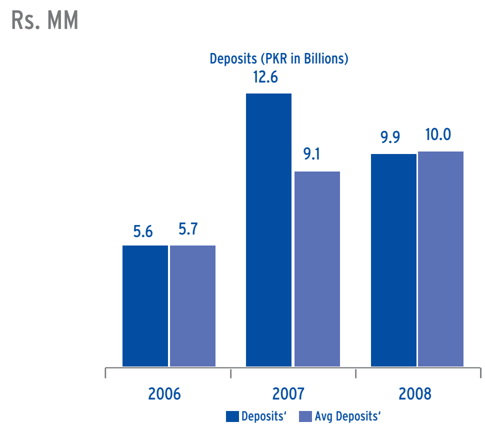
Your bank is the subsidiary of a strong and successful parent which is the most awarded bank in the Middle East and which has total assets of around $48 billion with a capital base of $2.4 billion.

During 2008, your bank registered after tax loss of Rs. 742 million compared to Rs. 1,323 million in 2007. Main reasons for this year s loss are the one time integration and rebranding cost, higher premises related expenses attributable to 10 new branches and renovation of many branches to Samba s standards and increase in human resource cost by 45% over 2007, as we invested significantly in talent base and intellectual capital. The improvement in revenue over the previous year was achieved through special focus to improve markup income, deposit mix and lower provisioning.

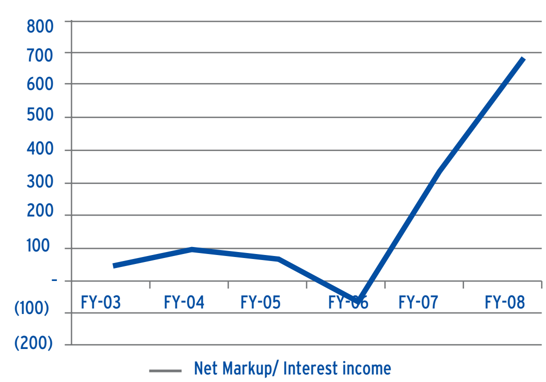


Net markup income of your bank has increased by 99% to Rs. 686.7 million, as compared to Rs. 345.1 million in 2007. The primary reason for this improvement is management s focus on better funds & yield management. With steady build up of good quality corporate loans, the net loan book of the bank increased by about Rs. 1.5 billion or 31.3% to Rs. 6.2 billion, compared to last year while maintaining high credit risk standards to ensure quality corporate loan booking. Spread for the bank improved by 2.11% due to improved yield on corporate loans.

On the funding side, although the deposit base has reduced, average deposit book of your bank remained higher by 10% over last year s average volume of Rs. 9 billion. Although the



banking industry experienced severe competition in deposit pricing owing to tight liquidity in the market and compliance with SBP s loan to deposit ratio requirement, your bank remained liquid and was able to manage its deposit pricing at last year s level. This was achieved by a concerted effort by the management to improve the deposit mix by shedding price-sensitive and expensive deposits and replacing them with stable low cost deposits.



Although non markup / interest income showed a marginal decline of Rs. 3 million or 2.3% over 2007 primarily owing to lower dividend income and capital gain on your bank s legacy equity portfolio, however, the fees and commissions increased by Rs. 28 million, registering an increase of 118% mainly through additional ancillary business.

Owing to prevailing economic and business conditions, the management effectively managed non performing loans and NPL ratio improved to 22.8% from 26.3% in 2007, which is fully provided as per the requirements of State Bank of Pakistan.

Credit Rating

The JCR-VIS Credit Rating Agency has maintained the banks long term credit rating as A (single A) and the short term rating as A-1 (A-One). The long term rating reflects adequate credit quality with reasonable protection factors, while the short term rating reflects obligations supported by good certainty of timely payments, sound company fundamentals, and liquidity factors.

Statement of Internal Controls

The management is responsible for establishing and maintaining adequate controls designed to provide reasonable assurance of effective and efficient operations, internal financial controls and compliance with laws and regulations. Development of internal control system is an ongoing process. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The responsibility of adherence to controls mainly lies with the business where the risk arises. For monitoring the effectiveness of internal control system, the bank has set roles for certain functions such as internal audit, compliance and control and operations risk unit. Internal audit periodically carries out audits for branches and various departments to monitor compliance with the bank s standards. Compliance ensures that the bank follows all regulatory regulations and Know Your Customer / Anti Money Laundering policies. A Control and Operations Risk unit functions within Operations and periodically carries out quality assurance reviews of the processes and transactions of banking operations in order to ensure compliance of bank s policies and regulatory requirements. Robust accountability process has been implemented to ensure the effectiveness of the control environment. Management gives due consideration to the recommendations made by the internal, external auditors and regulators especially for improvements in the internal control systems and takes timely action to implement such recommendations.

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

In an effort to implement the Internal Control Guidelines as required by the State Bank of Pakistan in BSD Circular No. 7 of 2004, the bank is already in the process of carrying out a detailed exercise including documentation and benchmarking of existing processes and controls relating to financial reporting on internationally accepted standards through consultants, with the appropriate expertise. This project will help in further improving the quality of internal controls across the bank and in ensuring compliance with the SBP requirement for external auditors opinion and report on board s endorsement regarding efficacy of banks internal control over financial reporting.

The Board of Directors is ultimately responsible for the internal control system and the Board endorses the above evaluation by management.

Risk Management Framework

The bank manages risk through a framework of sound risk principles which includes an appropriate organizational structure, risk assessment and monitoring process and actively uses various financial techniques to effectively manage business risks. Policies and procedures enable us to effectively manage all aspects of our banking business through an integrated planning and review process through which the management also ensures a seamless oversight on the whole process. The bank s business is exposed to four major risks namely Credit, Market, Liquidity and Operational. These risks are discussed in detail in notes 42 to 47 of the annexed financial statements.

Whistle Blowing Policy

The bank has introduced whistle blowing policy which encourages the employees to identify irregular activities and misconduct, if any, that may have an adverse impact on the business or goodwill of the bank. This policy provides an open work environment in the bank where the highest business ethics and integrity are maintained and reputation of the bank is safeguarded at all times.

Statement Under Code of Corporate Governance

The Board of Directors is aware of its responsibilities under the Code of Corporate Governance and is pleased to report and certify that:

- The financial statements prepared by the management of the bank fairly present its state of affairs, the result of its operations, cash flows, and changes in equity.
- Proper books of accounts of the bank have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan and adopted by the State Bank of Pakistan, have been followed in preparation of the bank s financial statements and any departure, if any has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored on best possible efforts.
- There are no doubts upon the bank s ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- A summary of key operating and financial data for last six years is included in this Annual Report.
- A statement showing the pattern of shareholding in the bank as at December 31, 2008 is annexed.
- Statement of Compliance with Code of Corporate Governance is annexed.
- In view of the loss for the year, no dividend is proposed to be paid for the year.

- The financial statements of the bank have been audited without qualification by auditors of the bank, Messrs A. F. Ferguson & Company, Chartered Accountants.

Employee Benefits Scheme

The bank operates a funded provident fund scheme covering all its permanent employees. The un-audited balance of the fund as at December 31, 2008 was Rs. 72.04 million.

Share Acquisitions By Directors & Executives

The Pattern of shareholding and additional information regarding pattern of shareholding is attached separately. No trade in the shares of the bank was carried out by the Directors, CEO, CFO and Company Secretary and their spouses and minor children, except that one of the directors, Mr. Javed Iqbal bought 5,000 shares of the bank.

Meetings of The Board

Six Board meetings were held during the year under review. The Board granted leave of absence to the directors not attended the meetings. The number of meetings attended by each director for this period are as under:

Name of Director	Meetings attended
Syed Sajjad Razvi, Chairman (a)	05
Mr. Tawfiq A Husain, President & Chief Executive Officer (b)	02
Mr. Zaki Abdulmohsen Al-Mousa, Chairman till February 24, 2008	03
Mr. Beji Tak –Tak	06
Mr. Farhat Abbas Mirza (c)	05
Mr. Javed Iqbal (c)	05
Mr. Mubashar Hanif Khokhar	03
Dr. Shujaat Nadeem	06
Mr. Zahid Zaheer (d)	01
Mr. Shehzad Naqvi, President° & Chief Executive Officer (e)	01
Syed Jamal Baquar, President & Chief Executive Officer – Acting (f)	03
Mr. Shamim Ahmad Khan (g)	02

(a) Appointed as director and Chairman w.e.f. February 09, 2008 and February 24, 2008, respectively.
(b) Appointed w.e.f. May 21, 2008.
(c) Appointed w.e.f. January 21, 2008.
(d) Appointed w.e.f. August 28, 2008.
(e) Resigned w.e.f. February 19, 2008.
(f) Appointed w.e.f. February 19, 2008.
(g) Resigned w.e.f. March 12, 2008

Directors

The Board comprises of the Chief Executive Officer, four non-executive directors, and four executive directors, one being the Chairman of the Board.

New Chairman of The Board

The Board welcomes Syed Sajjad Razvi who assumed the responsibility as Chairman of the Board of Directors with effect from February 24, 2008.

New Chief Executive Officer

Mr. Tawfiq A. Husain has been appointed as new Chief Executive Officer of the bank, who assumed his responsibility with effect from May 21, 2008.

Auditors

The present auditors Messrs A. F. Ferguson & Company, Chartered Accountants retire and being eligible, offer themselves for re-appointment. The Board of Directors, on the suggestion of the Audit Committee, recommended Messrs A. F. Ferguson & Company, Chartered Accountants (local representative of Price Waterhouse Coopers) for the next term.

Events after the Balance Sheet date

There have not been any material events that occurred subsequent to the date of the Balance Sheet that require adjustments to the enclosed financial statements.

Future Outlook

The bank s aim is to become the most admired bank, offering world class customer service and innovative solutions, identifying growth opportunities to build scale/footprint and inculcate a culture of teamwork/partnership, accountability, customer focus & profit orientation. We will do this by growing our revenue base and improving the business economics by squeezing out operational efficiencies, through centralization of processes and addressing the expense base.

Samba s long term commitment to Pakistan remains clear and unwavering. It continues to support the current momentum in growth areas along with improvement of systems and technology, streamlining of policies and procedures, and sourcing and retention of intellectual capital.

Acknowledgment

On behalf of the Board of Directors and management, I would like to express sincere appreciation to our customers and shareholders for their patronage, State Bank of Pakistan and other regulatory bodies for their continuous guidance and support and employees for their continued dedication, commitment and hard work.

On behalf of the Board

Tawfiq A. Husain
President and Chief Executive Officer

Karachi
February 25, 2009

samba is innovation

Management Discussion & Analysis

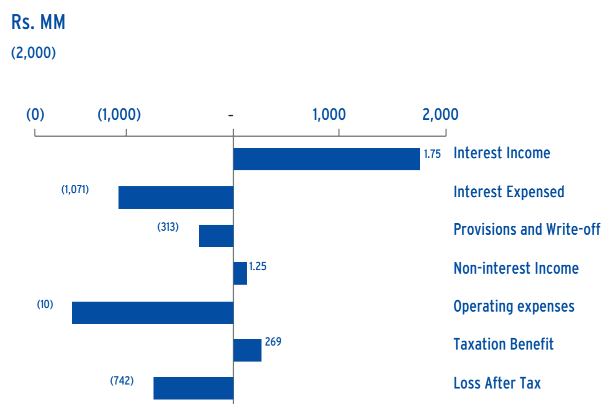
Profit & Loss

With the re-branding and integration of Samba Bank Limited, the bank is moving aggressively toward its strategic priorities. For 2008, despite a reduction in the balance sheet size over 2007, the bank was able to reduce loss before taxes by 26%. This was primarily achieved through better fund and yield management to improve the revenue by increasing net markup income by 99%, in particular. On an overall basis, strong corporate banking performance, targeted deposit mobilization and effective balance sheet management are the key factors behind this improved growth.

The loss after tax for the year ended 2008 was Rs. 742 million, registering an improvement of Rs. 581 million or 44% over 2007. Major factors contributing to the reduction in losses are improvement in net markup income, reduction in provisioning for non-performing loans and recognition of additional deferred tax income. However, the expense base for 2008 included one-off expenses associated with re-branding, integration, addition of ten new branches and renovation of other branches to Samba' s requirement and standards & with the expenses related to the launch of Samba Bank Limited.

Net Mark-up Income

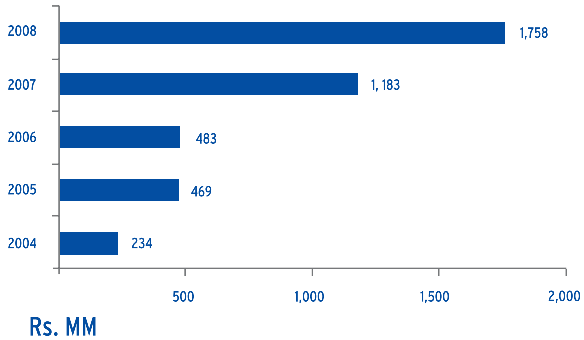
During 2008, mark-up income grew by over 49% to reach Rs.1.8 billion. The management emphasized on growing the quality of assets where the average earning assets increased by 18% with overall yield improving by over 211 basis points.



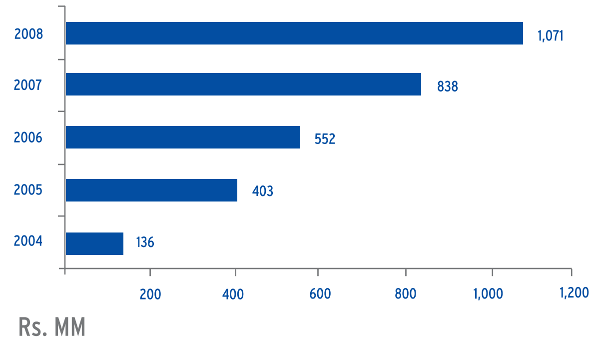
On the cost of funds side, mark-up expense rose tot Rs.1.1 billion or 28% over 2007. Despite severe competition on deposits owing to tight liquidity during the year, the bank effectively managed deposit pricing at the same level as registered in 2007 while remaining liquid during 2008. This was achieved by a concerted effort by the management to improve the deposit mix by shedding expensive price-sensitive large ticket deposits and replacing them with stable lower cost deposits.

As a result of these planned steps, net mark-up income rose by

Mark-up Income



Mark-up Expence



over 99% to Rs.687 million compared to Rs.345 million in 2007. With steady build up of good quality corporate loan book, the net loan book of the bank increased by about Rs. 1.5 billion or 31.3% to Rs. 6.2 billion with improvement in yield by 3.52%, while return on bank placements and lending increased from Rs. 490 million in 2007 to Rs. 620 million in 2008.

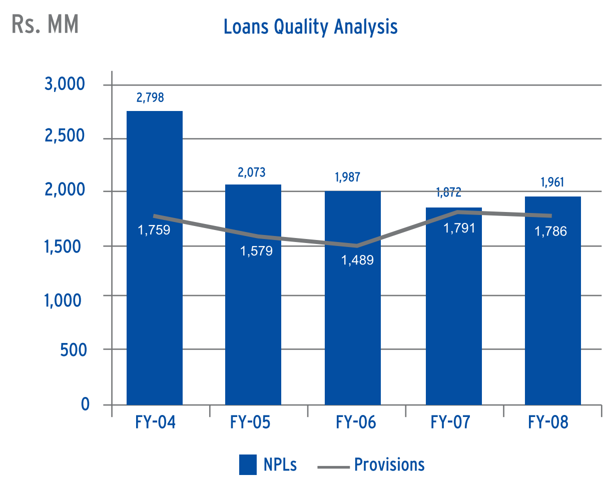
Non Mark-up Income

The non mark-up income showed a marginal reduction of Rs. 3 million or 2.3% over 2007. The major factor affecting the reduction was the decline in equity market and the bank s legacy equity portfolio where lower dividend income and capital gains were recorded. Although State Bank has allowed banks to record impairment of equity investment over four quarters in 2009, the bank has prudently recorded the impairment in 2008 based on December 31, 2008 market value. However, the reduction was largely offset by increase in fee and commission income which has shown an improvement of Rs. 28 million or 118% over 2007 owing to increase in business volume of ancillary business. This increase in fees and commissions contributed around 41% of the total non-markup income.

Operating Expenses

Operating cost of the bank increased by Rs. 618 million or 69% over 2007. Significant factors contributing to this rise are the onet time integration and rebranding cost, higher premises expenses and increase in human resource cost as we have invested significantly in talent base and intellectual capital. Efficiency (cost to revenue) ratio marginally improved from last year s level.

Loans Quality Analysis



As a result of economic slowdown and high inflation, the repayment capacity of individual borrowers, in particular, was

	Rupees in thousands			
	December 31, 2008		December 31, 2007	
Performing Loans	6,111,585	71.02%	4,694,441	66.07%
Non – Performing Loans				
Substandard	174,607	2.03%	42,643	0.60%
Doubtful	464	0.01%	3,539	0.05%
Loss	1,786,072	20.74%	1,826,314	25.70%
	1,961,143		1,872,496	
Special Mention	533,161	6.20%	538,501	7.58%
Total	8,605,889		7,105,438	

affected and your bank s consumer portfolio came under some stress, as it did for all banks engaged in consumer banking in Pakistan. All such loans are adequately provided for . The corporate loan is healthy as a result of robust risk management, while the inherited portfolio is completely provided for. Moreover, as a prudent measure, the management decided not to take advantage of the Forced Sale Value (FSV) benefits recently allowed by State Bank of Pakistan for the year 2008. The above chart provides the changes in the loan portfolio for the current and previous years along with non perfoming categories.

Deposits

To improve the product mix and to manage the funding cost, the management decided to shed high cost deposits and replaced these with low cost and CASA deposits. However, the bank positioned itself for effective deposit generation after adding ten new branches and by upgrading most branches at world class Samba standards.

Loan Book

Loan portfolio of the bank grew by 21% to Rs.8.6 billion compared to Rs.7.1 billion last year with corporate loans contributing 66% of the loan book. This was achieved with gradual build up of high quality corporate loans.

Earnings per Share (EPS)

The Earnings per Share of the Bank for the year ended 2008 is Rs. (0.85) per share, improved by 53% from last year s Rs. (1.82) per share.

Capital Adequacy

As a result of capital injection by the parent, Samba Financial Group in 2007, the bank is well placed in meeting Capital Adequacy Requirement (CAR). As per State Bank s requirement for CAR, the bank enjoys a healthy CAR of around 55.13% among the highest in the industry as of December 2008. However, the bank plans to work out the future capital injection to meet the new SBP requirement.

Branch Network

Karachi

Fountain Branch Saddar

North Karachi Branch

S.I.T.E. Branch

Rashid Minhas Road Branch

DHA Phase VI Branch

Bahria Complex Branch-1

Bahria Complex Branch-2

Shahrah-e-Faisal Branch

Gulshan-e-Iqbal Branch

Clifton Branch

Bahadurabad Branch

DHA Branch

Lahore

Mall Road Branch

Gulberg Branch

Montgomery Road Branch

Circular Road Branch

Cavalry Ground Branch

Garden Town Branch

Sarwar Road Branch

Islamabad

Razia Sharif Plaza Branch

Tahir Plaza Branch

F-10 Branch

F-7 Branch

Multan

Multan Branch

Sialkot

Paris Road Branch

Peshawar

Saddar Road Branch

Faisalabad

Liaquat Road Branch

Gujranwala

G.T Road Branch

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Sixth Annual General Meeting of Samba Bank Limited (formerly Crescent Commercial Bank Limited) will be held on Monday, March 30, 2009 at 02:00 p.m. at the Hotel Beach Luxury, Karachi, to transact the following businesses:

ORDINARY BUSINESS

1. To confirm the minutes of the Extra Ordinary General Meeting held on September 06, 2008.

2. To receive and consider the Balance Sheet and Profit & Loss Account together with the Directors and Auditors Reports for the year ended 31 December, 2008.

3. To appoint Auditors and to fix their remunerations.

OTHER BUSINESS

To transact any other business of the Bank with the approval of the Chair.

By Order of the Board

March 9, 2009
Karachi

Mehnaz Ikram
Company Secretary

Notes:

1. Share Transfer Books of the Bank will remain closed from March 24, 2009 to March 30, 2009 (both days inclusive). Transfer received in order at the Bank s Registrar, M/s Femco Associates (Pvt.) Limited, State Life Building No.2-A, 4th Floor, I.I. Chundrigar Road, Karachi upto close of business on March 21, 2009 will be considered in time.

2. A member eligible to attend and vote at this meeting may appoint another member as his/her proxy to attend vote and speak at the meeting instead of him/her. Proxies, in order to be effective, must be received at the Bank s Registered Office, not less than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed.

3. An instrument of proxy applicable for the Meeting (in which you can direct the proxy how you wish him to vote) is being provided with the notice sent to Members. Further copies of the instrument of proxy may be obtained from the Registered Office of the Bank during normal office hours.

4. An instrument of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must, to be valid, be deposited at the Registered Office of the Bank not less than 48 hours before the time of the Meeting.

5. Members are requested to notify immediately changes, if any, in their registered address.

A. For Attending the Meeting:

(i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the CDC Regulations Regulations, shall authenticate his identity by showing his original Computrised National Identity Card, (CNIC) or original passport at the time of attending the Meeting.

(ii) In case of a corporate entity, the board of directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

B. For Appointing Proxies:

(i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account, and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.

(ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

(iii) Attested copies of CNIC or the passport, of the beneficial owners and the proxy shall be furnished with the proxy form.

(iv) The proxy shall produce his original CNIC or original passport at the time of the Meeting.

(v) In case a of corporate entity, the board of directors' resolution/power of attorney with specimen signature sha1l be submitted (unless it has been provided earlier) along with proxy form to the Company.

Statement of Compliance with the Code of Corporate Governance for the Year ended December 31, 2008

This statement is being presented to comply with the clause (xiv) and (xivi) of the Code of Corporate Governance contained in Regulation No.37, Chapter XIII and section 36 of Chapter XI of Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited, Lahore Stock Exchange (Guarantee) Limited and Islamabad Stock Exchange (Guarantee) Limited respectively for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Bank has applied the principles contained in the Code in the following manner:

1. The Bank encourages representation of independent non-executive directors on its Board of Directors. At present, the Board consists of four non-executive Directors.

2. The Directors have confirmed that none of them is serving as a Director in more than ten listed companies, including this 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 or a Non-banking Financial Institution. None of the resident Directors are a member of any of the stock exchanges on which the Bank' s shares are listed.

4. One casual vacancy occurred on the Board during the period under review which was filled up as per the requirements of the Companies Ordinance 1984.

5. The Bank has prepared a ' Statement of Ethics & Business Practices' , which is circulated and signed every year by all the Directors and employees of the Bank.

6. The Board has developed a vision / mission statement, while corporate strategies and significant policies of the Bank have been made with appropriate delegation of authorities and responsibilities to various levels of management. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive, have been taken by the Board.

8. All the meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated in time.

9. The Directors have been provided with the copies of the Listing regulations of the Stock Exchange, the Bank' s Memorandum and Articles of Association and the Code of

Corporate Governance. The Directors are well conversant with their duties and responsibilities.

10. The Board has approved the appointment of the Chief Financial Officer and Company Secretary, including their remuneration and terms and conditions of employment, as determined by the Chief Executive Officer.
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 the Chief Executive and the Chief Financial Officer, before approval of the Board.

13. The Directors, Chief Executive 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.

15. The Board has formed an Audit Committee. It comprises of three members. Two of them are non-executive Directors including the Chairman of the Committee.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of quarterly, half yearly and final results of the Company and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

17. The Board has set up an Internal Audit Function. The staff of the Internal Audit Department are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Bank. The Internal Audit Department is involved in the Internal Audit Function of the Bank on a full time basis.

18. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

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

Syed Sajjad Razvi
Chairman

Statement of Ethics and Business Practices

The Organization of Samba Bank Limited (formerly Crescent Commercial Bank Limited) will be guided by the following principles in its pursuit of excellence in all activities for attainment of the organizational objectives:

As Director:

- Formulate and monitor the objectives, strategies and overall business plan of the Company.
- Oversee that the affairs of the Company are being carried out prudently within the framework of existing laws & regulations and high business ethics.
- Ensure compliance of legal and regulatory requirements.
- Protect the interest and assets of the Company.
- Maintain organizational effectiveness for the achievement of organizational goals.
- Foster a conducive environment through responsive policies.
- Ensure that the Company' s interest supersedes all other interest.
- Transparency in the functioning of the Company.
- Ensure efficient and effective use of the Company' s resources.

As Executives, Managers and Staff:

- Follow the policy guidelines strictly adhering to the rules and procedures as approved by the Board including Whistle Blowers Policy, Anti Money Laundering (AML) & Know Your Customer (KYC) Policies, Policies & Standard Practices, Fraud Management Policy & Procedures, IT Security Policy, Bond of Secrecy, Employee' s Agreement Respecting Security and Confidentiality of Information, Conflict of Interest, Patent and Confidential Information Agreement, Samba Bank Employee Information Security Guide, Staff Provident Fund Declaration.
- Strive and work diligently for profitable operations of the Company.
- Provide direction and leadership for the organization.
- Ensure client satisfaction through offering quality products and service.
- Promote a culture of excellence, conservation and continual improvement.
- Cultivate work ethics and harmony among colleagues and associates.
- Encourage initiatives and self-realization in employees.
- Ensure an equitable way of working and reward system.
- Institute commitment to healthy environment.
- Productive devotion of time and efforts.
- Promote and protect the interest of the Company and ensure that the company s interest supersedes all other interest.
- Exercise prudence in using the Company' s resources.
- Observe cost effective practices in daily activities.
- Strive for excellence and quality.
- Avoid making personal gains (other than authorized salary and benefits) at the company s expense, participating in or assisting activities which compete with those of Samba Bank Limited.
- Appreciate, encourage and create succession in related area(s) of work.

Financial Integrity:

- Compliance with accepted accounting rules and procedures.
- In addition to being duly authorized, all transactions must be properly and fully recorded. No record entry or document may be false or misleading and no undisclosed and unrecorded account, fund or asset may be established or maintained. No corporate payment may be requested, approved or made with the intention that any part of such payment is to be used for any purpose other than as described in the document supporting it.
- All Information supplied to the auditors must be complete and not misleading.
- Samba Bank Limited will not knowingly assist fraudulent activities by others.

Review Report to the Members on Statement of Compliance with the Best Practices of the 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 Samba Bank Limited (formerly Crescent Commercial 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, Listing Regulation No.37 of the Karachi Stock Exchange, Chapter XIII of the Lahore Stock Exchange and Chapter XI of the Islamabad Stock Exchange where the Bank is listed.

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 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 year ended December 31, 2008.

A.F. Ferguson & Co.
Chartered Accountants

Karachi
Dated: March 2, 2009

Financial Statements
for the year ended December 31, 2008

Auditors' Report to the Members

We have audited the annexed balance sheet of Samba Bank Limited (formerly Crescent Commercial Bank Limited) as at December 31, 2008 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the un-audited certified returns from the branches except for ten branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the bank's management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the 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 the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in the case of loans and advances covered more than sixty percent of the total loans and advances of the bank, we report that:

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

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the bank's affairs as at December 31, 2008, and its true balance of loss, its cash flows and changes in equity for the year then ended; and

(d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

A.F.Ferguson & Co.
Chartered Accountants

Karachi
Dated: March 2, 2009

Samba Bank Limited *(Formerly Crescent Commercial Bank Limited)*

Balance Sheet

As at December 31, 2008

	Note	2008	2007
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks	6	774,575	1,003,611
Balances with other banks	7	331,201	63,348
Lendings to financial institutions	8	2,313,308	8,565,836
Investments - net	9	3,829,354	3,947,925
Advances - net	10	6,163,008	4,693,113
Operating fixed assets	11	1,157,689	854,292
Deferred tax asset - net	12	1,080,273	804,266
Other assets	13	837,928	722,911
		16,487,336	20,655,302
LIABILITIES			
Bills payable	15	55,349	1,056,878
Borrowings	16	437,949	182,611
Deposits and other accounts	17	9,859,537	12,644,938
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease	18	420	3,403
Deferred tax liabilities		-	-
Other liabilities	19	671,927	565,314
		11,025,182	14,453,144
NET ASSETS		5,462,154	6,202,158
REPRESENTED BY:			
Share capital	20	8,769,517	8,769,517
Reserves		43,080	43,080
Accumulated loss		(3,336,267)	(2,593,956)
		5,476,330	6,218,641
Deficit on revaluation of assets - net of tax	21	(14,176)	(16,483)
		5,462,154	6,202,158

CONTINGENCIES AND COMMITMENTS 22

The annexed notes 1 to 49 and Annexure 1 form an integral part of these financial statements.

President and Chief Executive Officer	Chairman	Director	Director

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Samba Bank Limited *(Formerly Crescent Commercial Bank Limited)*

Profit and Loss Account

For the Year Ended December 31, 2008

	Note	2008	2007
		(Rupees in '000)	
Mark-up / return / interest earned	23	1,758,004	1,182,921
Mark-up / return / interest expensed	24	1,071,307	837,869
Net mark-up / return / interest income		686,697	345,052
Provision against non-performing loans and advances - net	10.4	217,601	834,695
Provision for diminution in the value of investments - net	9.3	94,927	85,884
Bad debts written-off directly		-	4,198
		312,528	924,777
Net mark-up / return / interest income after provisions		374,169	(579,725)
Non mark-up / interest income			
Fee, commission and brokerage income		51,938	23,807
Dividend income		12,005	31,270
Income from dealing in foreign currencies		8,992	(8,596)
Gain on sale of securities - net	25	5,359	53,893
Gain / (loss) on revaluation of investments classified as held for trading		872	-
Other income	26	46,263	28,058
Total non mark-up / interest income		125,429	128,432
		499,598	(451,293)
Non mark-up / interest expenses			
Administrative expenses	27	1,461,077	891,889
Other provisions / write offs - net	28	936	28,845
Other charges	29	49,026	652
Total non mark-up / interest expenses		1,511,039	921,386
		(1,011,441)	(1,372,679)
Extraordinary items		-	-
Loss before taxation		(1,011,441)	(1,372,679)
Taxation - Current year	30	-	10,050
- Prior years	30	-	-
- Deferred	30	(269,130)	(59,837)
		(269,130)	(49,787)
Loss after taxation		(742,311)	(1,322,892)
Accumulated loss brought forward		(2,593,956)	(1,220,064)
Share issue cost		-	(51,000)
Accumulated loss carried forward		(3,336,267)	(2,593,956)
Loss per share (Rupees)	31	(0.85)	(1.82)

The annexed notes 1 to 49 and Annexure 1 form an integral part of these financial statements.

President and Chief Executive Officer	Chairman	Director	Director

Samba Bank Limited *(Formerly Crescent Commercial Bank Limited)*

Statement of Cash Flows

For the Year Ended December 31, 2008

	Note	2008	2007
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(1,011,441)	(1,372,679)
Less: Dividend income		(12,005)	(31,270)
		(1,023,446)	(1,403,949)
Adjustments for non-cash and other items:			
Depreciation		111,220	72,179
Amortisation of intangible assets		6,131	5,721
Provision against non-performing loans and advances - net		217,601	834,695
Finance charges on leased assets		893	328
Provision for diminution in the value of investments - net		94,927	85,884
Gain on sale of securities - net		(5,359)	(53,893)
Bad debts written off directly		-	4,198
Other provisions / write offs - net		936	22,712
Net profit on sale of property and equipment		(1,590)	(1,791)
		424,759	970,033
		(598,687)	(433,916)
Decrease / (increase) in operating assets			
Lendings to financial institutions		6,252,528	(8,072,363)
Held for trading securities		(2,428,112)	-
Advances		(1,687,496)	(3,136,988)
Other assets (excluding advance taxation)		(101,218)	(259,716)
		2,035,702	(11,469,067)
(Decrease) / increase in operating liabilities			
Bills payable		(1,001,529)	1,006,252
Borrowings from financial institutions		255,338	(259,858)
Deposits and other accounts		(2,785,401)	7,067,297
Other liabilities (excluding current taxation)		33,474	43,406
		(3,498,118)	7,857,097
		(2,061,103)	(4,045,886)
Income tax (paid) / refund		(3,735)	57,007
Net cash used in operating activities		(2,064,838)	(3,988,879)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in securities		2,452,545	(1,750,952)
Dividend income		12,005	31,270
Investments in operating fixed assets		(363,174)	(87,695)
Sale proceeds from disposal of property and equipment		6,155	3,553
Net cash inflow from / (outflow on) investing activities		2,107,531	(1,803,824)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of lease obligations		(3,876)	(4,156)
Proceeds from issue of shares - net		-	5,949,000
Net cash (outflow on) / inflow from financing activities		(3,876)	5,944,844
Increase in cash and cash equivalents		38,817	152,141
Cash and cash equivalents at beginning of the year		1,066,959	914,818
Cash and cash equivalents at end of the year	32	1,105,776	1,066,959

The annexed notes 1 to 49 and Annexure 1 form an integral part of these financial statements.

President and Chief Executive Officer **Chairman** **Director** **Director**

Samba Bank Limited *(Formerly Crescent Commercial Bank Limited)*

Statement of Changes in Equity

For the Year Ended December 31, 2008

	Share capital	Capital reserve	Statutory reserve	Revenue reserve	Unappropriated profit /(accumulated loss)	Total
	------------------------------------- (Rupees in '000) -------------------------------------					
Balance as at December 31, 2006	2,769,517	20,935	22,145	-	(1,220,064)	1,592,533
Loss after taxation for the year ended December 31, 2007	-	-	-	-	(1,322,892)	(1,322,892)
Further issue of shares	6,000,000	-	-	-	-	6,000,000
Shares issue cost	-	-	-	-	(51,000)*	(51,000)
Balance as at December 31, 2007	8,769,517	20,935	22,145	-	(2,593,956)	6,218,641
Loss after taxation for the year ended December 31, 2008	-	-	-	-	(742,311)	(742,311)
Balance as at December 31, 2008	8,769,517	20,935	22,145	-	(3,336,267)	5,476,330

* Transaction costs incurred in connection with the issue of shares were accounted for as a deduction from equity, in accordance with the requirements of International Accounting Standard (IAS) 32, 'Financial Instruments: Disclosure and Presentation'.

The annexed notes 1 to 49 and Annexure 1 form an integral part of these financial statements.

President and Chief Executive Officer | **Chairman** | **Director** | **Director**

Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2008

1. STATUS AND NATURE OF BUSINESS

1.1 Samba Bank Limited (Formerly Crescent Commercial Bank Limited) (the bank) is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The bank is listed on all the stock exchanges of Pakistan. Its principal and registered office is located at 6th Floor, Sidco Avenue Centre, Maulana Deen Muhammad Wafai Road, Karachi. The bank is a subsidiary of SAMBA Financial Group of Saudi Arabia, holding 68.42% shares of the bank. The bank operates 28 branches (December 31, 2007: 28 branches) inside Pakistan.

1.2 During the year, in pursuance to the special resolution approved in the Extra Ordinary General Meeting (EOGM) held on September 6, 2008, the name of the bank was changed from Crescent Commercial Bank Limited to the Samba Bank Limited. The change of name was approved by the State Bank of Pakistan (SBP) vide its notification no. BPRD (CGD-02/131.03(4)/2008/7315) dated October 4, 2008 and was effective from October 20, 2008. The certificate of change of name has been issued by the Securities and Exchange Commission of Pakistan (SECP) dated October 9, 2008.

2. BASIS OF PRESENTATION

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

3. STATEMENT OF COMPLIANCE

(a) These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the SECP and SBP differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said directives prevail.

(b) The State Bank of Pakistan (SBP) has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular Letter No. 10 dated August 26, 2002. Further, the Securities Exchange Commission of Pakistan (SECP) has deferred the applicability of International Financial Reporting Standard (IFRS) 7 through its notification S.R.O 411(I)/2008 dated April 28, 2008. 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 prescribed by SBP through various circulars.

(c) **Standards, interpretations and amendments to published approved accounting standards that are effective in the current year**

There were no standards, interpretations and amendments to published approved accounting standards which became effective during the current year and were relevant or had any significant effect on the bank's operations.

(d) **Standards, interpretations and amendments to published approved accounting standards that are not yet effective:**

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the bank's accounting periods beginning on or after January 1, 2009:

IAS 1 (Revised), 'Presentation of financial statements' (effective from January 1, 2009), was issued in September 2007. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning of the comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The adoption of the above standard will only impact the presentation of the financial statements.

IAS 23 (Amendment) 'Borrowing costs' (effective from January 1, 2009) requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. Further, the definition of borrowing cost has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial instruments: Recognition and measurement'. The amendments will have impact on the bank's financial statements to the extent of borrowing costs, if any, directly attributable to the acquisition of or construction of qualifying assets.

IAS 19 (Amendment), 'Employee benefits' (effective from January 1, 2009).

- The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.

- The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.

- The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.

- IAS 37, 'Provisions, contingent liabilities and contingent assets', requires contingent liabilities to be disclosed, which are not recognised. IAS 19 has been amended to be consistent.

The management is in the process of assessing the impact of its adoption on the bank's financial statements.

IAS 36 (Amendment), 'Impairment of assets' (effective from January 1, 2009). As per the new requirements, where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. This amendment is not expected to have a significant effect on the bank's financial statements.

IAS 38 (Amendment), 'Intangible assets' (effective from January 1, 2009). The amended standard states that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. This amendment is not expected to have a significant effect on the bank's financial statements.

IFRS 2 (Amendment), 'Share-based payment' (effective from January 1, 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. This amendment is not expected to have a significant effect on the bank's financial statements.

IFRS 8 'Operating segments', (effective from January 1, 2009). IFRS 8 replaces IAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This may result in an increase in the number reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. The management is in the process of assessing the presentation impact of its adoption on the bank's financial statements.

There are other amendments to the approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after January 1, 2009 but are considered not to be relevant or to have any significant effect on the bank's operations and are therefore not detailed in these financial statements.

4. BASIS OF MEASUREMENT

4.1 Accounting convention

These financial statements have been prepared under the historical cost convention except that certain investments and derivative financial instruments have been marked to market and are carried at fair value.

4.2 Critical accounting estimates and judgements

The preparation of financial statements in conformity with approved accounting standards requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgements in application of its accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Significant accounting estimates and areas where judgements were made by the management in the application of accounting policies that have a significant risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed in note 36 to these financial statements.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

5.1 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, balances with treasury banks, balances with other banks in current and deposit accounts and national prize bonds.

5.2 Lendings to / borrowings from financial institutions

The bank enters into transactions of repos and reverse repos at contracted rates for a specified period of time. These are recorded as under:

Sale under repurchase agreements

Securities sold subject to a repurchase agreement (repo) are retained in the financial statements as investments and the counter party liability is included in borrowings from financial institutions. The difference between the sale and contracted repurchase price is accrued on a time proportion basis over the period of the contract.

Purchase under resale agreements

Securities purchased under agreement to resell (reverse repo) are not recognised in the financial statements as investments and the amount extended to the counter party is included in lendings to financial institutions. The difference between the purchase and contracted resale price is accrued on a time proportion basis over the period of the contract.

5.3 Investments

The bank classifies its investments as follows:

(a) Held for trading

These are securities, which are either acquired for generating a profit from short-term fluctuations in market prices, interest rate movements, dealers margin or are securities included in a portfolio in which a pattern of short-term profit making exists.

(b) Held to maturity

These are securities with fixed or determinable payments and fixed maturity that the bank has the positive intent and ability to hold to maturity.

(c) Available for sale

These are investments, other than those in associates, if any, that do not fall under the held for trading or held to maturity categories.

(d) Associates

Associates are all entities over which the bank has significant influence but not control. Investment in associates is carried at cost.

Investments are initially recognised at cost which includes transaction costs associated with the investments except for investments classified as 'held for trading', which are recognised at market value. Transaction costs for investments classified as 'held for trading' are recognised in the profit and loss account.

All purchase and sale of investments that require delivery within the time frame established by regulation or market convention are recognised at the trade date, which is the date at which the bank commits to purchase or sell the investment.

In accordance with the requirements of the SBP, quoted securities other than those classified as 'held to maturity' and 'investments in associates', are subsequently re-measured to market value. Surplus / (deficit) arising on revaluation of such quoted securities which are classified as 'available for sale', is taken to a separate account which is shown in the balance sheet. Surplus / (deficit) arising on revaluation of quoted securities and which are classified as 'held for trading' is taken to the profit and loss account. Investments classified as 'held to maturity' are carried at amortised cost.

Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements.

Impairment loss in respect of investments classified as 'available for sale' (except for term finance certificates) is recognised based on management's assessment of objective evidence of impairment as a result of one or more event that may have an impact on the estimated future cash flows of these investments. A significant or prolonged decline in the value of investment is also considered as an objective evidence of impairment. Provision for diminution in the value of term finance certificates is made as per the requirement of the Prudential Regulations issued by the SBP. In the event of impairment, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in the profit and loss account.

Profit / loss on sale of investments is credited / charged to the profit and loss account currently.

5.4 Advances

Loans and advances

Advances are stated at cost less specific and general provisions. Specific provision for non-performing advances is determined keeping in view the bank's policy subject to the minimum requirement set out by the Prudential Regulations and other directives issued by the SBP and charged to the profit and loss account. The bank also maintains general provision in respect of potential losses present in the portfolio which are not specifically identified. General provision against consumer financing portfolio is maintained as per the requirements set out in the Prudential Regulations issued by the SBP. Advances are written off when there is no realistic prospect of recovery.

Net investment in finance leases

Net investment in finance leases is stated at net of provisions made against non-performing leases. Leasing arrangements in which the bank transfers substantially all risks and rewards incidental to the ownership of an asset to the lessee, are classified as finance leases. A receivable is recognised on commencement of the lease term at an amount equal to the present value of minimum lease payments including any guaranteed residual value, if any. Unearned finance income is recognised over the term of the lease period so as to produce a constant periodic return on the outstanding net investment in lease.

Unrealised lease income in respect of non-performing finance leases is suspended in accordance with the Prudential Regulations issued by the SBP. Gains / losses on termination of lease contracts, documentation charges, front end fee and other lease income are recognised as income when realised.

5.5 Fixed assets and depreciation

Owned

Owned assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for capital work-in-progress and freehold land. Capital work-in-progress and freehold land are stated at cost less accumulated impairment losses, if any.

Depreciation on all operating fixed assets is charged using the straight line method in accordance with the rates specified in note 11.2 to these financial statements after taking into account residual value, if any. The assets' residual values and useful lives are reviewed and adjusted, if required, at each balance sheet date.

Depreciation on additions is charged from the month the assets are available for use. No depreciation is charged in the month of disposal.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the bank and the cost of the item can be measured reliably. All other repair and maintenance are charged to the profit and loss account as and when incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal, if any, are taken to profit and loss account in the period in which they arise.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is charged applying the straight-line method over the useful life of the assets. Amortisation is calculated so as to write-off the assets over their expected economic lives at rates specific in note 11.3 to these financial statements. Amortisation is charged from the month in which the asset is available for use. No amortisation is charged for the month in which the asset is disposed off. The residual value, useful life and amortisation method is reviewed and adjusted, if appropriate, at each balance sheet date.

Subsequent costs are included in the asset's carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the bank and the cost of the item can be measured reliably.
Intangible assets having an indefinite useful life are stated at acquisition cost. Provisions are made for permanent diminution in the value of assets, if any. Gains and losses on disposals, if any, are taken to the profit and loss account in the period in which they arise.

Leased assets

Assets held under finance lease are stated at the lower of their fair value or present value of minimum lease payments at inception less accumulated depreciation and accumulated impairment losses, if any. The outstanding obligations under the lease agreements are shown as a liability net of finance charges allocable to the future periods.

The finance charges are allocated to the accounting periods in a manner so as to provide a constant periodic rate of return on the outstanding liability.

Depreciation on assets held under finance lease is charged in a manner consistent with that for depreciable assets which are owned by the bank.

Leases are classified as finance leases wherever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating lease.

Operating leases

Lease payments, if any, under operating leases are charged to income on a straight line basis over the lease term.

5.6 Impairment

The carrying amount of assets are reviewed at each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amounts 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 the profit and loss account.

5.7 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into consideration available tax credit and rebates, if any. The charge for current tax also includes adjustments, where considered necessary relating to prior years, which arises from assessments / developments made during the year.

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities used for financial reporting purposes and amounts used for taxation purposes. In addition, the bank also records deferred tax asset on available tax losses. Deferred tax is calculated using the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date.

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 utilised. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realised.

The carrying amount of the deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised.

The bank also recognises deferred tax asset / liability on deficit / surplus on revaluation of securities which is adjusted against the related deficit / surplus in accordance with the requirements of the revised International Accounting Standard (IAS-12) dealing with income taxes.

5.8 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.

5.9 Staff retirement benefits

(a) Defined contribution plan

The bank operates a contributory provident fund scheme covering all its permanent employees. Equal monthly contributions are made both by the bank and the employees in respect of this benefit.

(b) Compensated absences

The liability in respect of compensated absences of employees is accounted for in the period in which the absences accrue.

5.10 Borrowings / deposits and their cost

Borrowings / deposits are recorded at the proceeds received. Borrowing / deposits costs are recognised as an expense in the period in which these are incurred using the effective mark-up / interest rate method.

5.11 **Proposed dividend and transfers between reserves**

Dividends and transfers between reserves, except appropriations which are required by law, made subsequent to the balance sheet date are considered as non-adjusting events and are not recorded in the financial statements in accordance with the requirements of International Accounting Standard (IAS) 10, 'Events after the Balance Sheet Date'.

5.12 **Revenue recognition**

- Mark-up income / interest on advances and returns on investments are recognised on a time proportion basis using the effective interest method except that mark-up / income / return on classified advances and investments is recognised on receipt basis in accordance with the requirements of the Prudential Regulations issued by the SBP. Interest / return / mark-up on rescheduled / restructured advances and investments is recognised as permitted by the Prudential Regulations issued by State Bank of Pakistan, except where, in the opinion of the management, it would not be prudent to do so.

- Fee, commission and brokerage income is recognised on a time proportionate basis.

- Dividend income from investments is recognised when the bank's right to receive the dividend is established.

- Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of the leased assets) is deferred and taken to income over the term of the lease so as to produce a constant periodic rate of return on the outstanding net investment in lease.

- Unrealised lease income in respect of non-performing finance leases is held in suspense account, where necessary, in accordance with the requirement of the SBP.

- Premium or discount on acquisition of debt investments is capitalised and amortised through the profit and loss account over the remaining period till maturity.

5.13 **Foreign currency transactions**

Foreign currency transactions are translated into Pakistani Rupees at the rates of exchange prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistani Rupees at exchange rates prevailing at the balance sheet date. Foreign bills purchased and forward foreign exchange contracts are valued at the rates applicable to their respective maturities. Exchange gains or losses are included in the profit and loss account.

5.14 **Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the bank operates. The financial statements are presented in Pakistani Rupees, which is the bank's functional and presentation currency.

5.15 **Segment reporting**

A segment is a distinguishable component of the bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The operations of the bank are currently based in Pakistan, therefore, geographical segments are not relevant.

Business segments

Corporate finance

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

Trading and sales

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

Retail banking

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

Commercial banking

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

5.16 Commitments

Commitments for outstanding forward foreign exchange contracts are disclosed in the financial statements at contracted rates. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in Pakistani rupee terms at the rates of exchange ruling on the balance sheet date.

5.17 Financial instruments

Financial assets and liabilities

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

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivative financial instruments are carried as assets when fair value is positive and liability when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account.

Off-setting

Financial assets and financial liabilities are off-set and the net amount is reported in the balance sheet when there is a legally enforceable right to set off and the bank intends to either settle on a net basis, or to realise the assets and to settle the liabilities simultaneously.

	Note	2008	2007
		(Rupees in '000)	
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		140,102	104,333
Foreign currency		38,449	18,567
		178,551	122,900
With State Bank of Pakistan in			
Local currency current account	6.1	508,775	857,427
Foreign currency current account	6.2	26,185	12,910
Foreign currency deposit account	6.2	61,064	9,929
		596,024	880,266
National Prize Bond		-	445
		774,575	1,003,611

6.1 The local currency account is maintained with the State Bank of Pakistan (SBP) as per the requirements of Section 36 of the State Bank of Pakistan Act, 1956. This section requires banking companies to maintain a local currency cash reserve in current account opened with the SBP at a sum not less than such percentage of its time and demand liabilities in Pakistan as may be prescribed by the SBP.

6.2 This represents foreign currency cash reserve maintained with the SBP at an amount equivalent to at least 20% of the bank's foreign currency deposits mobilised under FE-25 scheme. The foreign currency cash reserve comprises an amount equivalent to at least 5% of the bank's foreign currency deposits mobilised under the FE-25 scheme, which is kept in a non-remunerative account. The balance reserve equivalent to at least 15% of the bank's foreign currency deposits mobilised under FE-25 scheme is maintained in a remunerative account on which the bank is entitled to earn a return which is declared by SBP on a monthly basis. During the year the deposit account was remunerated at rates ranging from 0.90% per annum to 3.60% per annum (2007: 3.71% per annum to 4.72% per annum).

	2008	2007
	(Rupees in '000)	
7. BALANCES WITH OTHER BANKS		
In Pakistan		
On current account	12,367	5,513
Outside Pakistan		
On current account	318,834	57,835
	331,201	63,348

	Note	2008	2007
		(Rupees in '000)	

8. LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2008	2007
Call money lendings	8.2	1,250,000	4,250,000
Repurchase agreement lendings (reverse repo)	8.3	1,063,308	4,287,936
Lending to DFIs / overseas bank - USD		-	27,900
		2,313,308	8,565,836

8.1 Particulars of lendings

	2008	2007
In local currency	2,313,308	8,537,936
In foreign currencies	-	27,900
	2,313,308	8,565,836

8.2 These represent lendings to various commercial banks in the inter bank money market. These lendings carry mark-up at the rates ranging from 15.00% to 15.40% per annum (2007: 9.60% to 10.50% per annum) and have a maturity period of upto three months (2007: six months) from the date of lending.

8.3 Securities held as collateral against lendings to financial institutions

Particulars	2008			2007		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
	(Rupees in '000)					
Market Treasury Bills	1,063,308	-	1,063,308	4,087,936	-	4,087,936
Pakistan Investment Bonds	-	-	-	200,000	-	200,000
	1,063,308	-	1,063,308	4,287,936	-	4,287,936

8.3.1 These represent short-term lendings to financial institutions against investment securities. These carry mark-up at rates ranging from 12.85% to 14.90% per annum (2007: 9.45% to 9.95% per annum) and have a maturity period ranging upto one month (2007: one month to six months).

9. INVESTMENTS - NET

9.1 Investments by type

	2008 Held by bank	2008 Given as collateral	2008 Total	2007 Held by bank	2007 Given as collateral	2007 Total
	------ (Rupees in '000) ------					
Held for trading securities						
Market Treasury Bills	2,427,240	-	2,427,240	-	-	-
Available for sale securities						
Market Treasury Bills	599,251	197,784	797,035	2,943,990	-	2,943,990
Pakistan Investment Bonds	113,514	-	113,514	90,253	-	90,253
Sukuk Bond	10,000	-	10,000	-	-	-
WAPDA Bonds	-	-	-	63,215	-	63,215
Term Finance Certificates - listed	-	-	-	22,811	-	22,811
Ordinary shares and certificates - listed	123,707	-	123,707	120,968	-	120,968
Ordinary shares - unlisted	65,409	-	65,409	66,659	-	66,659
Preference shares - listed	10,000	-	10,000	15,256	-	15,256
Units of open-end mutual fund - listed	10,000	-	10,000	10,000	-	10,000
	931,881	197,784	1,129,665	3,333,152	-	3,333,152
Held to maturity securities						
Pakistan Investment Bonds	324,786	-	324,786	329,244	-	329,244
Term Finance Certificates - unlisted	-	-	-	261,399	-	261,399
	324,786	-	324,786	590,643	-	590,643
Associates						
Ordinary shares and certificates- listed	371,470	-	371,470	371,470	-	371,470
Investments at cost	4,055,377	197,784	4,253,161	4,295,265	-	4,295,265
Less: Provision for diminution in the value of investments - note 9.3	(402,252)	-	(402,252)	(329,483)	-	(329,483)
Investments (net of provisions)	3,653,125	197,784	3,850,909	3,965,782	-	3,965,782
Deficit on revaluation of available for sale securities - note 21	(21,698)	(729)	(22,427)	(17,857)	-	(17,857)
Surplus on revaluation of held for trading securities	872	-	872	-	-	-
Total investment at market value	3,632,299	197,055	3,829,354	3,947,925	-	3,947,925

	Note	2008	2007
		(Rupees in '000)	
9.2 Investments by segment			
Federal government securities	9.11		
Market Treasury Bills		3,224,275	2,943,990
Pakistan Investment Bonds		438,300	419,497
WAPDA Bonds		-	63,215
Sukuk Bond		10,000	-
		3,672,575	3,426,702
Fully paid-up ordinary shares			
Listed companies	9.5	495,177	492,438
Unlisted companies	9.6	65,409	66,659
		560,586	559,097
Fully paid-up preference shares			
Listed companies	9.7	10,000	15,256
Term finance certificates			
Listed Term Finance Certificates	9.8	-	22,811
Unlisted Term Finance Certificates	9.9	-	261,399
		-	284,210
Other investments			
Units of open-end mutual funds	9.10	10,000	10,000
Investments at cost		4,253,161	4,295,265
Less: Provision for diminution in the value of investments	9.3	(402,252)	(329,483)
Investments (net of provisions)		3,850,909	3,965,782
Deficit on revaluation of available for sale securities	21	(22,427)	(17,857)
Surplus on revaluation of held for trading securities		872	-
Total investment at market value		3,829,354	3,947,925
9.3 Particulars of provision for diminution in the value of investments			
Opening balance		329,483	244,654
Charge for the year		112,939	85,884
Reversals during the year		(18,012)	-
Amounts written off		(22,158)	(1,055)
Closing balance		402,252	329,483

		Note	2008	2007
			(Rupees in '000)	
9.3.1	Particulars of provision for diminution in the value of investments by type			
	Available for sale securities			
	Ordinary shares - listed		104,460	45,066
	Ordinary shares - unlisted	9.6	55,409	49,150
	Term Finance Certificates - listed		-	6,681
			159,869	100,897
	Held to maturity securities			
	Term Finance Certificates - unlisted		-	32,203
	Associates			
	Ordinary shares and certificates - listed		242,383	196,383
			402,252	329,483
9.3.2	Particulars of provision for diminution in the value of investments by segment			
	Fully paid-up ordinary shares			
	Listed companies	9.5	346,843	241,449
	Unlisted companies	9.6	55,409	49,150
			402,252	290,599
	Term finance certificates			
	Listed companies	9.8	-	6,681
	Unlisted companies	9.9	-	32,203
			-	38,884
			402,252	329,483

9.4 Quality of available for sale securities

	Note	2008 Market value Rupees in '000	2008 Rating (where available)	2007 Market value Rupees in '000	2007 Rating (where available)
Market Treasury Bills		795,925	-	2,939,858	-
Pakistan Investment Bonds		91,049	-	90,532	-
Sukuk Bond		10,000	-	-	-
WAPDA Bonds		-	-	63,215	-
Term Finance Certificates - Listed					
Al-Zamin Leasing Modaraba		-	-	8,500	A
Innovative Housing Finance Limited		-	-	-	Suspended
Pakistan Services Limited		-	-	4,604	A
Trust Leasing Corporation Limited		-	-	3,992	AA
Ordinary shares - listed					
Bankers Equity Limited	9.4.1	-	-	-	-
B.R.R. Guardian Modaraba		991	A	2,233	A
JS Value Fund Limited (Formerly BSJS Balanced Fund Limited)		3,918	5-star	12,302	5-star
ECOPACK Limited		2,695	-	7,809	-
Fauji Cement Company Limited		818	-	-	-
First Dawood Mutual Fund		90	4-star	322	4-star
First Tawakkal Modaraba	9.4.1	-	-	-	-
Haji Muhammad Ismail Mills Limited		1,704	-	2,521	-
Hamid Textile Mills Limited		732	-	1,688	-
Islamic Investment Bank Limited	9.4.1	-	-	-	-
Nazir Cotton Mills Limited		1,229	-	4,923	-
Pakistan PVC Limited		27,920	-	8,134	-
Tristar Shipping Lines Limited	9.4.1	-	-	-	-
UTP - Large Capital Fund		7,754	5-star	27,309	4-star
WorldCall Telecom Limited		1,277	A+	7,156	A+
Ordinary shares - unlisted**					
Crescent Bahuman Limited		-	-	-	-
Crescent Industrial Chemical Limited		-	-	-	-
Crescent Powertech Limited		-	-	-	-
Crescent Standard Business Management (Private) Limited		-	-	-	-
ICEPAC Limited		-	-	-	-
Pak Asian Fund Limited		10,000	-	10,000	-
Union Communication (Private) Limited		-	-	500	-
Vision Network Television Limited		-	-	7,009	-
Preference shares - listed					
Nagina Cotton Mills Limited		-	-	10,217	-
Shakarganj Mills Limited		10,200	-	6,000	-
Open-end mutual funds - listed					
HBL - Income Fund		10,948	-	10,716	-

** Represents book value net of provision

9.4.1 These are listed securities for which no market quotation was available at the year end.

9.5 Particulars of investments held in listed securities

Number of ordinary shares / certificates 2008	Number of ordinary shares / certificates 2007	Paid-up value per share/ certificate	Name of investee company / modaraba / mutual fund	2008	2007
		Rupees		Rupees in '000	
Available for sale					
400	400	10	Bankers Equity Limited	-	-
314,500	314,500	10	B.R.R. Guardian Modaraba	1,906	1,906
			(Management Company: BRR Investment (Private) Limited)		
			JS Value Fund Limited		
872,500	872,500	10	(Formerly BSJS Balanced Fund Limited)	9,082	9,082
549,910	549,910	10	ECOPACK Limited	15,761	15,761
174,000	-	10	Fauji Cement Company Limited	2,784	-
41,500	41,500	10	First Dawood Mutual Fund	341	341
36,500	36,500	10	First Tawakkal Modaraba	104	104
1,008,225	1,008,225	10	Haji Muhammad Ismail Mills Limited	9,362	9,362
1,125,406	1,125,406	10	Hamid Textile Mills Limited	2,757	2,757
60,581	60,581	10	Islamic Investment Bank Limited	285	285
4,097,499	4,102,499	10	Nazir Cotton Mills Limited	29,014	29,049
1,153,725	1,153,725	10	Pakistan PVC Limited	12,871	12,871
131,000	131,000	10	Tristar Shipping Lines Limited	12	12
3,371,500	3,371,500	10	UTP Large Capital Fund	35,105	35,105
430,100	431,100	10	World Call Telecom Limited	4,323	4,333
				123,707	120,968
Associates					
26,808,938	26,808,938	10	Asian Stocks Fund Limited (holding 29.79%) - note 9.5.1	268,089	268,089
17,439,000	17,439,000	10	Zahoor Textile Mills Limited (holding 23.36%)	103,381	103,381
				495,177	492,438
			Less: Provision for diminution in the value of investments	(346,843)	(241,449)
			Deficit on revaluation of listed securities	-	(16,132)
				148,334	234,857

9.5.1 The market value of the bank's investment in Asian Stocks Fund Limited as at December 31, 2008 amounted to Rs 165.411 million (2007: Rs 174.258 million).

9.6 Particulars of investments held in unlisted securities

Number of ordinary shares / certificates 2008	Number of ordinary shares / certificates 2007	Break-up value per share 2008	Break-up value per share 2007	Based on atest available financial statements as at	% holding	Name of investee company / fund	2008	2007
		Rupees					Rupees in '000	
Available for Sale								
Shareholding upto 10%								
250,000	250,000	88.13	50.37	June 2008	5.00%	Crescent Powertech Limited (Chief Executive Officer: Mr. Ahsan Bashir)	2,500	2,500
-	125,000	-	24.80	-	-	Crescent Standard Business Management (Private) Limited - (Chief Executive Officer: Mr. Tariq Aleem)	-	1,250
1,000,000	1,000,000	16.92	17.19	June 2008	8.89%	Pak Asian Fund Limited (Chief Executive Officer: Mr. Ashfaq Berdi)	10,000	10,000
50,000	50,000	11.10	10.89	June 2007	0.33%	Union Communication (Private) Limited (Chief Executive Officer: Mr. Humayun Nabi Jan)	500	500
700,559	700,559	2.43	6.77	June 2008	1.07%	Vision Network Television Limited (Managing Director: Mr. Khalid Siddiqui)	7,010	7,010
3,184,600	3,184,600	(9.95)	(5.93)	June 2008	3.90%	Crescent Bahuman Limited (Chief Executive Officer: Mr. Nasir Shafi)	31,846	31,846
1,000,000	1,000,000	10.00	10.00	June 2007	0.97%	Crescent Industrial Chemicals Limited (Chief Executive Officer: Mr. Tariq Shafi)	10,000	10,000
Shareholding exceeding 10%								
355,330	355,330	(3.35)	(4.60)	June 2007	14.66%	ICEPAC Limited (Chief Executive Officer: Ms. Shala Riza Arifeen)	3,553	3,553
							65,409	66,659
						Provision for diminution in the value of investments	(55,409)	(49,150)
							10,000	17,509

9.7 Particulars of investments held in preference shares - listed

Number of shares 2008	Number of shares 2007	Paid-up value per share 2008	Paid-up value per share 2007	Name of investee company	Note	2008	2007
		Rupees				Rupees in '000	
Available for Sale							
-	2,043,400	5	5	Nagina Cotton Mills Limited		-	5,256
1,000,000	1,000,000	10	10	Shakarganj Mills Limited	9.7.1	10,000	10,000
						10,000	15,256
				Surplus on revaluation of available for sale preference shares		200	962
						10,200	16,218

9.7.1 These are redeemable after five years of issuance / allotment, subject to conversion option exercisable by the bank. These carry preference dividend at the rate of 8.5 percent per annum on cumulative basis.

9.8 Particulars of investments held in term finance certificates - listed

Number of certificates 2008	Number of certificates 2007	Nominal value per certificate (Rupees)	Name of investee company	Payment frequency	Profit rate	Year of maturity	2008 Rupees in '000	2007 Rupees in '000
Available for sale								
-	5,000	5,000	Al-Zamin Leasing Modaraba (Management Company: Al-Zamin Modaraba Management (Private) Limited)	Semi-annually	8% p.a.	2008	-	8,500
-	4,000	5,000	Innovative Housing Finance Limited (formerly Crescent Standard Investment Bank Limited)	Semi-annually	SBP's discount rate plus 2% p.a.	2007	-	6,314
-	3,000	5,000	Pakistan Services Limited	Semi-annually	SBP's discount rate plus 2.25% p.a. with floor of 9.75% p.a. and cap of 13.75% p.a.	2008	-	4,283
-	1,947	5,000	Trust Leasing Corporation Limited	Semi-annually	SBP's discount rate plus 2% p.a. with floor of 9% p.a. and cap of 14% p.a.	2008	-	3,714
							-	22,811
							-	22,811
			Provision for diminution in the value of investments				-	(6,681)
			Surplus on revaluation of available for sale term finance certificates				-	450
							-	16,580

9.9 Particulars of investments held in term finance certificates - unlisted

	2008 (Rupees in '000)	2007 (Rupees in '000)
Dewan Cement Limited (formerly Pakland Cement Limited)		
TFCs - Series 'A'	-	206,525
TFCs - Series 'B'	-	51,933
	-	258,458
Chaudhry Sugar Mills Limited	-	2,941
	-	261,399
Provision for diminution in the value of investments	-	(32,203)
	-	229,196

9.10 Particulars of investments held in open ended mutual funds

2008	2007	Nominal value per unit	Name of fund	2008	2007
Number of units		Rupees		Rupees in '000	
115,242	102,648	100	HBL - Income Fund	10,000	10,000
			Surplus on revaluation of securities	948	716
				10,948	10,716

9.11 Particulars of Federal government securities

Market Treasury Bills have a tenor of upto one year. The yield on these instruments ranges from 9.73 percent to 13.85 percent per annum (2007: 8.90 percent to 9.40 percent per annum) with maturities of upto March 12, 2009.

Pakistan Investment Bonds are for periods of 10 years. These securities carry profits ranging from 8 percent to 9 percent per annum (2007: 8 percent to 9 percent per annum) with maturities from June 30, 2013 to April 29, 2014.

Sukuk Bond is for a period of three years. They carry profit at the latest weighted average yield of the 6 month Market Treasury Bills determined on day prior to the start of each 6 month rental period with the maturity upto September 26, 2011.

9.12 Investments include certain approved / government securities which are held by the bank to comply with the Statutory Liquidity Requirement determined on the basis of the Bank's demand and time liabilities as set out under section 29 of the Banking Companies Ordinance, 1962.

10. ADVANCES - NET

	Note	2008	2007
		(Rupees in '000)	
Loans, cash credits, running finances, etc.			
In Pakistan		7,766,435	6,092,646
Net investment in finance leases			
In Pakistan	10.2	705,510	878,848
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		133,944	133,944
Advances - gross		8,605,889	7,105,438
Provision against advances - specific and general	10.4	(2,442,881)	(2,412,325)
Advances - net of provision		6,163,008	4,693,113

		2008	2007
		(Rupees in '000)	
10.1	**Particulars of advances - net**		
10.1.1	In local currency	6,163,008	4,693,113
10.1.2	Short-term (for upto one year)	2,267,141	1,700,278
	Long-term (for over one year)	3,895,867	2,992,835
		6,163,008	4,693,113

10.2 Net investment in finance leases

	2008				2007			
	Not later than one year	Later than one year and less than five years	Over five years	Total	Not later than one year	Later than one year and less than five years	Over five years	Total
	Rupees in '000							
Lease rentals receivable	138,527	269,624	172,522	580,673	219,154	360,204	191,718	771,076
Residual value	58,403	29,364	51,296	139,063	63,864	81,936	30,925	176,725
Minimum lease payments	196,930	298,988	223,818	719,736	283,018	442,140	222,643	947,801
Finance charges for future periods	(6,408)	(5,823)	(1,995)	(14,226)	(24,838)	(35,398)	(8,717)	(68,953)
Present value of minimum lease payments	190,522	293,165	221,823	705,510	258,180	406,742	213,926	878,848

10.3 Advances include Rs 1,961.143 million (2007: Rs 1,872.496 million) which have been placed under non-performing status and Rs 533.161 million (2007: Rs 538.501 million) placed under the special mention category as detailed below:

	2008								
Category of classification	Advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Classified portfolio									
Substandard	174,607	-	174,607	55,646	-	55,646	55,646	-	55,646
Doubtful	464	-	464	231	-	231	231	-	231
Loss	1,786,072	-	1,786,072	1,730,296	-	1,730,296	1,730,296	-	1,730,296
	1,961,143	-	1,961,143	1,786,173	-	1,786,173	1,786,173	-	1,786,173
Special Mention Category - Note 10.3.1	533,161	-	533,161	533,161	-	533,161	533,161	-	533,161
	2,494,304	-	2,494,304	2,319,334	-	2,319,334	2,319,334	-	2,319,334

Category of classification	2007								
	Advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	----- Rupees in '000 -----								
Classified portfolio									
Substandard	42,643	-	42,643	18,218	-	18,218	18,218	-	18,218
Doubtful	3,539	-	3,539	1,769	-	1,769	1,769	-	1,769
Loss	1,826,314	-	1,826,314	1,770,812	-	1,770,812	1,770,812	-	1,770,812
	1,872,496	-	1,872,496	1,790,799	-	1,790,799	1,790,799	-	1,790,799
Special Mention Category - Note 10.3.1	538,501	-	538,501	501,224	-	501,224	501,224	-	501,224
	2,410,997	-	2,410,997	2,292,023	-	2,292,023	2,292,023	-	2,292,023

10.3.1 This represents a restructured facility allowed to a customer which has been placed under 'Special Mention Category' as per the State Bank of Pakistan's letter number BID (Insp) / 3333 / 71-25-2006 dated December 26, 2006.

10.3.2 The State Bank of Pakistan vide BSD circular No. 02 of 2009 dated January 27, 2009 has allowed banks to avail the benefit of 30% of the forced sales values of certain collaterals held by them while determining provisioning requirement against non-performing loans and advances. However, on account of prudence, the management has not considered any benefit of the collaterals held by it while determining provisioning requirements as at December 31, 2008.

10.4 Particulars of provision against advances

	Note	2008			2007		
		Specific	General	Total	Specific	General	Total
		----- Rupees in '000 -----					
Opening balance		2,292,023	120,302	2,412,325	1,601,170	17,266	1,618,436
Charge for the year		353,540	10,942	364,482	839,435	107,886	947,321
Reversals		(139,184)	(7,697)	(146,881)	(107,776)	(4,850)	(112,626)
		214,356	3,245	217,601	731,659	103,036	834,695
Amounts written off	10.5	(187,045)	-	(187,045)	(40,532)	-	(40,532)
Adjustments		-	-	-	(274)	-	(274)
Closing balance		2,319,334	123,547	2,442,881	2,292,023	120,302	2,412,325

10.4.1 General provision includes provision amounting to Rs 113.795 million (2007: Rs 115.493 million) against consumer finance portfolio as required by the revised Prudential Regulations issued by State Bank of Pakistan. General provision also includes provision amounting to Rs 9.752 million (2007: Rs 4.809 million) made in respect of potential losses present in the portfolio but not specifically identified and has been determined on the basis of management's best estimate.

10.4.2 Particulars of provisions against advances

	2008 Specific	2008 General	2008 Total	2007 Specific	2007 General	2007 Total
	Rupees in '000					
In local currency	2,319,334	123,547	2,442,881	2,292,023	120,302	2,412,325

		Note	2008	2007
			(Rupees in '000)	
10.5	**Particulars of write-offs**			
10.5.1	Against provisions	10.4	187,045	40,532
10.5.2	Write-offs of Rs 500,000 and above	10.6	15,075	40,532
	Write-offs of below Rs 500,000		171,970	-
			187,045	40,532

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

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to a person during the year ended December 31, 2008 is given in Annexure-1 to these financial statements. These loans are written off as a book entry without prejudice to the Bank's right of recovery against the customers.

10.7 Particulars of loans and advances to executives, directors, associated companies, etc.

	2008	2007
Debts due by directors, executives or officers of the bank or any of them either severally or jointly with any other persons - note 10.7.1		
Balance at beginning of the year	224,460	134,740
Loans granted during the year	203,329	152,171
Repayments during the year	(132,260)	(62,451)
Balance at end of the year	295,529	224,460
Debts due by companies or firms in which the directors of the bank are interested as directors, partners or in the case of private companies as members		
Balance at beginning of the year	-	10,117
Loans granted during the year	-	-
Repayments during the year	-	(10,117)
Balance at end of the year	-	-

	Note	2008	2007
		(Rupees in '000)	
Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties			
Balance at beginning of the year		45,500	45,500
Loans granted during the year		-	-
Repayments during the year		-	-
Balance at end of the year		45,500	45,500
		341,029	269,960

10.7.1 These include loans provided to employees as per the bank's policy.

11. OPERATING FIXED ASSETS

	Note	2008	2007
Capital work-in-progress	11.1	37,657	12,320
Property and equipment	11.2	1,104,668	829,191
Intangible assets	11.3	15,364	12,781
		1,157,689	854,292

11.1 Capital work-in-progress

	2008	2007
Civil works	35,141	12,320
Equipments	2,516	-
	37,657	12,320

11.2 Property and equipment

Description	2008									
	Cost				Accumulated depreciation				Net book value as at December 31, 2008	Rate per annum
	Balance as at January 1, 2008	Addition/ transfer	Deletion	Balance as at December 31, 2008	Balance as at January 1, 2008	Charge for the year	Deletion	Balance as at December 31, 2008		
	----------Rupees in '000'----------									%
Owned:										
Freehold land	456,899	-	-	456,899	-	-	-	-	456,899	-
Buildings on freehold land	211,263	-	-	211,263	83,708	9,245	-	92,953	118,310	5
Furniture and fixtures	167,179	142,972	(44)	310,107	53,329	19,002	(10)	72,321	237,786	10
Electrical, office and computer equipments	215,063	214,844	(570)	429,337	135,157	71,207	(518)	205,846	223,491	20 / 33
Vehicles	65,908	33,446 15,124	(13,404)	101,074	20,170	11,012	(8,925) 11,827	34,084	66,990	20
	1,116,312	391,262 15,124	(14,018)	1,508,680	292,364	110,466	(9,453) 11,827	405,204	1,103,476	
Assets held under finance lease:										
Vehicles	18,946	- (15,124)	-	3,822	13,703	754	- (11,827)	2,630	1,192	20
	1,135,258	391,262	(14,018)	1,512,502	306,067	111,220	(9,453)	407,834	1,104,668	

Description	2007									
		Cost			Accumulated depreciation					
	Balance as at January 1, 2007	Addition/ transfer	Deletion	Balance as at December 31, 2007	Balance as at January 1, 2007	Charge for the year	Deletion	Balance as at December 31, 2007	Net book value as at December 31, 2007	Rate per annum
	---Rupees in '000'---									%
Owned:										
Freehold land	456,899	-	-	456,899	-	-	-	-	456,899	-
Buildings on freehold land	211,263	-	-	211,263	74,462	9,246	-	83,708	127,555	5
Furniture and fixtures	160,652	6,731	(204)	167,179	37,223	16,299	(193)	53,329	113,850	10
Electrical, office and computer equipments	175,733	40,043	(713)	215,063	95,632	40,070	(545)	135,157	79,906	20 / 33
Vehicles	42,553	27,289	(3,934)	65,908	16,795	5,932	(2,557)	20,170	45,738	20
	1,047,100	74,063	(4,851)	1,116,312	224,112	71,547	(3,295)	292,364	823,948	
Assets held under finance lease:										
Vehicles	21,369	-	(2,423)	18,946	15,288	632	(2,217)	13,703	5,243	20
	1,068,469	74,063	(7,274)	1,135,258	239,400	72,179	(5,512)	306,067	829,191	

		2008	2007
		(Rupees in '000)	
11.2.1	Book value of temporarily idle property*	303,795	311,475

* This comprises four idle properties (three vacant plots) having a market value of Rs 496.977 million.

11.3 Intangible assets

Description	2008									
		Cost			Accumulated amortization					
	Balance as at January 1, 2008	Addition	Deletion	Balance as at December 31, 2008	Balance as at January 1, 2008	Charge for the year	Deletion	Balance as at December 31, 2008	Net book value as at December 31, 2008	Rate per annum
	---Rupees in '000'---									%
Computer software	33,537	8,714	(1,150)	41,101	20,756	6,131	(1,150)	25,737	15,364	20

Description	2007									
		Cost			Accumulated amortization					
	Balance as at January 1, 2007	Addition	Deletion	Balance as at December 31, 2007	Balance as at January 1, 2007	Charge for the year	Deletion	Balance as at December 31, 2007	Net book value as at December 31, 2007	Rate per annum
	---Rupees in '000'---									%
Computer software	29,294	4,243	-	33,537	15,035	5,721	-	20,756	12,781	20

11.4 Disposal of fixed assets

Disposal of fixed assets with original cost or book value in excess of Rupees one million or two hundred and fifty thousand respectively are given below:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain/ (loss)	Mode of disposal	Particulars of buyers
	---------------------- Rupees in '000' ----------------------						
Owned vehicles							
Toyota Vitz	539	81	458	400	(58)	Insurance Claim	E.F.U Insurance
Honda City	845	192	653	675	22	Insurance Claim	E.F.U Insurance
Honda Civic	1,228	1,092	136	123	(13)	As per bank policy	Ms. Samina Hamid Khan (Employee)
Honda Civic	1,272	1,136	136	127	(9)	As per bank policy	Mr. Nasir Aziz Khan (Employee)
Toyota Corolla	1,118	978	140	112	(28)	As per bank policy	Mr. Shahid Hassan (Employee)
Honda Civic	1,138	751	387	690	303	Negotiation	Mr. Irfanullah Khan
Toyota Corolla	954	395	559	750	191	Negotiation	Syed Ahmed Ali
Honda City	948	52	896	1,000	104	Negotiation	M/s. Honda Quaideen
Honda Civic	973	642	331	670	339	Negotiation	Mr. Irfanullah Khan
Toyota Corolla	954	427	527	723	196	Negotiation	Mr. Shabbir Hussain
Items having book value less than Rupees 250,000 and cost less than Rupees 1,000,000	3,435	3,179	256	693	437	Negotiation	Various
	13,404	8,925	4,479	5,963	1,484		
Furniture & fixtures							
Furniture, table & chairs etc Items having book value less than Rupees 250,000 and cost less than Rupees 1,000,000	44	10	34	27	(7)	Insurance Claim	E.F.U Insurance
Electrical, office and computer equipment							
Items having book value less than Rupees 250,000 and cost less than Rupees 1,000,000	570	518	52	165	113	Negotiation / Insurance Claim	Various
2008	14,018	9,453	4,565	6,155	1,590		
2007	7,274	5,512	1,762	3,553	1,791		

During the year no assets were sold to the chief executive, directors or to a shareholder holding not less than ten percent of the voting shares of the bank.

	Note	2008	2007
		(Rupees in '000)	

12. DEFERRED TAX ASSET - NET

	Note	2008	2007
Taxable temporary differences			
Accelerated tax depreciation		(63,320)	(28,467)
Assets subject to finance lease		(414)	-
Net investment in finance leases		(130,956)	(154,747)
Deductible temporary differences			
Recognised tax losses	12.1	368,842	231,472
Provision against loans and advances, investments and other assets		897,870	753,076
Assets subject to finance lease		-	70
Deficit on revaluation of securities	21	8,251	1,374
Others		-	1,488
Deferred tax asset recognised		1,080,273	804,266

12.1 The bank has an aggregate amount of Rs 3,796.943 million (2007: Rs 2,588.078 million) in respect of unabsorbed tax losses as at December 31, 2008. Out of this amount the management has recognised deferred tax debit balance on losses amounting to Rs 1,053.838 million (2007: Rs 661.349 million). This represents the management's best estimate of probable benefit expected to be realised in future years in the form of reduced tax liability as the bank would be able to set off the profit earned in these years against losses carried forward from prior years. The amount of this benefit has been determined based on the projections of the bank for the next five years.

13. OTHER ASSETS

	Note	2008	2007
Income/ mark-up accrued			
in local currency		158,653	112,623
in foreign currencies		38	148
Advances, deposits, advance rent and other prepayments		311,911	244,961
Taxation (payments less provisions)		339,266	335,531
Receivable from InterAsia Leasing Limited	16.2.3	22,336	22,336
Fee and commission receivable		51,054	51,185
Unrealised gain on forward foreign exchange contracts	13.1	5,120	1,489
Others		80,051	96,209
		968,429	864,482
Provisions held against bad and doubtful other assets	13.2	(130,501)	(141,571)
Other assets (net of provisions)		837,928	722,911

		2008	2007
		(Rupees in '000)	
13.1	**Unrealised gain on forward foreign exchange contracts**		
	Fair value	804,215	185,569
	Contract notional amount (book value)	(799,095)	(184,080)
		5,120	1,489
13.2	**Provisions held against bad and doubtful other assets**		
	Opening balance	141,571	118,885
	Charge for the year	824	24,000
	Amounts written-off during the year	(1,006)	(26)
	Reversals for the year	(10,888)	(1,288)
	Closing balance	130,501	141,571

14. CONTINGENT ASSETS

There were no contingent assets of the bank as at December 31, 2008 (2007: Nil).

15. BILLS PAYABLE

	2008	2007
In Pakistan	55,349	1,056,878

16. BORROWINGS

	2008	2007
In Pakistan	437,949	182,611

16.1 Particulars of borrowings

	2008	2007
In local currency	437,949	182,611

		Note	2008	2007
			(Rupees in '000)	
16.2	**Details of borrowings secured / unsecured**			
	Secured			
	Borrowings from SBP under export refinance scheme	16.2.1	224,000	156,800
	Repurchase agreement borrowings	16.2.2 & 9.1	191,613	-
	Commercial bank		-	-
	World Bank		-	3,475
	Term finance certificates		-	-
			415,613	160,275
	Unsecured			
	Call money borrowings		-	-
	Bankers Equity Limited (Under liquidation)	16.2.3	22,336	22,336
			22,336	22,336
			437,949	182,611

16.2.1 The bank entered into agreement with the SBP for extending export finance to customers. As per the terms of the agreement, the bank has granted SBP the right to recover the outstanding amount from the bank at the time of maturity of finances by directly debiting the current account maintained with SBP. This facility is secured against demand promissory note executed in favour of SBP. These borrowings carry mark-up rate of 6.5 percent per annum (2007: 6.5 percent per annum) payable on quarterly basis.

16.2.2 This represents borrowing at the rate of 12.5 % per annum having maturity upto January 9, 2009.

16.2.3 This represents amount payable to Bankers Equity Limited (under liquidation) on account of counter receivable from InterAsia Leasing Limited (Note 13) and carries no mark-up.

17. DEPOSITS AND OTHER ACCOUNTS

	2008	2007
Customers		
Fixed deposits	6,822,669	6,922,165
Savings deposits	1,338,633	3,135,218
Current accounts - non-remunerative	1,116,212	1,666,407
Others - non-remunerative	34,757	23,290
	9,312,271	11,747,080
Financial Institutions		
Remunerative deposits	507,456	867,745
Non-remunerative deposits	39,810	30,113
	547,266	897,858
	9,859,537	12,644,938

	2008	2007
	(Rupees in '000)	

17.1 Particulars of deposits and other accounts

	2008	2007
In local currency	9,435,812	12,453,238
In foreign currencies	423,725	191,700
	9,859,537	12,644,938

18. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	Note	2008			2007		
		Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease paymensts	Financial charges for future periods	Principal outstanding
		Rupees '000					
Not later than one year		420	-	420	3,456	53	3,403
Later than one year and not later than five years		-	-	-	-	-	-
Over five years		-	-	-	-	-	-
	18.1	420	-	420	3,456	53	3,403

18.1 This represents security deposit of outstanding lease agreements.

19. OTHER LIABILITIES

	Note	2008	2007
		(Rupees in '000)	
Mark-up / return / interest payable			
- in local currency		110,789	176,276
- in foreign currencies		591	26
Accrued expenses		164,631	43,802
Unclaimed dividends		4,255	4,256
Branch adjustment account		-	12,483
Provision against off-balance sheet obligations	19.1	96,264	85,264
Lease key money		141,303	179,647
Insurance premium payable		13,155	15,829
Unrealised loss on forward exchange contracts	19.2	5,105	-
Others		135,834	47,731
		671,927	565,314

		Note	2008	2007
			(Rupees in '000)	
19.1	**Provision against off-balance sheet obligations**			
	Opening balance		85,264	85,264
	Charge for the year		11,000	-
	Closing balance	19.1.1	96,264	85,264

19.1.1 This includes:

a) A provision of Rs 71.134 million made in respect of two counter guarantees amounting to Rs 71.134 million issued by Crescent Investment Bank Limited, an amalgamated entity, on behalf of Mr. Reyaz Shafi favouring Privatisation Commission of Pakistan (PC). The PC had invoked/called for payment of both the guarantees prior to their expiry date. However, Mr. Reyaz Shafi had obtained stay order for payments against the guarantees. Subsequently, the PC filed a suit against Faysal Bank Limited and Al-Baraka Islamic Bank, the guarantees issuing banks, against counter guarantees of the amalgamated entity, in the Lahore High Court under the Privatisation Commission Ordinance, 2000 for payment against the guarantees. The case is still pending for decision. As a matter of prudence, full provision of Rs 71.134 million has been made in respect of this matter.

b) A provision of Rs 14.130 million made in respect of a guarantee amounting to Rs 14.130 million issued by Crescent Investment Bank Limited, an amalgamated entity, on behalf of Mohammad Amin Muhammad Bashir Limited (MAMB) favouring Collector of Customs. The guarantee has been called twice by the Collector of Customs along with mark-up at the rate of 14 percent per annum. MAMB has filed a petition before the Honourable Supreme Court, which is still pending, therefore, no payment has been made in respect of this guarantee. As the matter of prudence, full provision of Rs 14.130 million has been made in respect of this matter.

c) A provision of Rs 11 million in respect of a guarantee amounting to Rs 22 million issued by the bank in favour of a company on behalf of one of its customers. The amount of guarantee will be payable by the bank in case of any default made by the customer at the lower of the amount guaranteed by the bank or dues payable by the customer. The customer is currently facing financial distress to settle the outstanding dues. As a matter of prudence, a provision amounting to Rs 11 million has been made by the management which represents the management's best estimate of the probable loss in respect of this matter.

		2008	2007
19.2	**Unrealised gain/ (loss) on forward foreign exchange contracts**		
	Fair value	799,095	-
	Contract notional amount (book value)	(804,200)	-
		(5,105)	-

20. SHARE CAPITAL

20.1 Authorised capital

2008	2007		2008	2007
Number of shares				
1,500,000,000	1,500,000,000	Ordinary shares of Rs 10 each	15,000,000	15,000,000

20.2 Issued, subscribed and paid-up capital

2008			2007			Ordinary shares of Rs 10 each	2008	2007
Issued for cash	Issued for consideration other than cash	Total	Issuef for cash	Issued for consideration other than cash	Total		Rupees in '000	
---Number of shares---								
655,394,335	221,557,340	876,951,675	55,394,335	221,557,340	276,951,675	Opening balance	8,769,517	2,769,517
-	-	-	600,000,000	-	600,000,000	Shares issued during the year	-	6,000,000
655,394,335	221,557,340	876,951,675	655,394,335	221,557,340	876,951,675		8,769,517	8,769,517

20.2.1 As at December 31, 2008 606,888,015 shares (2007: 607,054,390 shares) were held by related parties of the bank.

	Note	2008	2007
		(Rupees in '000)	
21. DEFICIT ON REVALUATION OF ASSETS - NET OF TAX			
Federal government securities		(23,575)	(3,853)
Quoted			
Ordinary shares and certificates	21.1	(59,429)	(16,132)
Preference shares	9.7	200	962
Term Finance Certificates	9.8	-	(3,981)
Mutual Fund Units	9.10	948	716
		(58,281)	(18,435)
		(81,856)	(22,288)
Amount of impairment losses on investment classified as available for sale - transferred to profit and loss account	21.1	59,429	4,431
Related deferred tax	12	8,251	1,374
		(14,176)	(16,483)

21.1 The bank has an aggregate amount of Rs 59.429 million as deficit on revaluation of its listed portfolio of equity shares classified as available for sale. The deficit has been computed based on the market value of the equity securities as at December 31, 2008. The management has carried out a scrip wise analysis of the portfolio and based on this analysis believes that the significant decline in the value of these securities is an objective evidence of their impairment and has accordingly fully recognised this loss in the profit and loss account for the year ended December 31, 2008.

		2008	2007
		(Rupees in '000)	

22. CONTINGENCIES AND COMMITMENTS

22.1 Direct credit substitutes

	2008	2007
Favouring government	800,000	-
Favouring banks and financial institutions	-	155,450
Favouring others	5,034,998	1,559,300
	5,834,998	1,714,750

22.2 Transaction-related contingent liabilities / commitments

	2008	2007
Guarantees in favour of		
Government	375,139	374,012
Banks and financial institutions	-	-
Others	144	235
	375,283	374,247

22.3 Trade-related contingent liabilities

	2008	2007
Favouring banks and financial institutions	-	-
Favouring others	-	654
	-	654

22.4 Contingencies in respect of taxation

The Income tax department has raised an aggregate demand of Rs 501.862 million for the assessment years 1995-96, 1996-97 and 1997-98 on account of non-deduction of tax on profit paid under portfolio management scheme and on interest paid on foreign currency certificates of investment. The department has also raised further demand of Rs 782.63 million for the assessment years 1995-96, 1998-99 to tax year 2003 on account of taxability of investment bank as a banking company, taxation of dividend income, add back relating to extra shift allowance, lease rentals received or receivable, lease key money and certain other items. The aforementioned demands and add backs include pending assessments of amalgamated entities namely Crescent Investment Bank Limited, Trust Investment Bank Limited, Fidelity Investment Bank Limited and Pakistan Industrial Leasing Corporation.

Presently, the bank is contesting these add backs / demands at various appellate forums. The disallowances in respect of a number of assessment years have been decided / set aside by various appellate authorities for re-assessment while the bank's appeals in respect of the remaining assessment years are currently pending. Based on the professional advice received from the tax advisors the management is confident that the eventual outcome of the aforementioned matters will be in favour of the bank. Accordingly, no provision has been made in these financial statements in respect of the above mentioned demands of Rs 1,284.492 million raised by the income tax authorities.

		2008	2007
		(Rupees in '000)	
22.5	**Commitments in respect of forward exchange contracts**		
	Purchase	804,200	184,080
	Sale	804,215	-

22.6 Commitments to extend credit

The bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

22.7 Capital commitments

Commitments for capital expenditure as at December 31, 2008 amounted to Rs 18.76 million (2007: 68.39 million).

23. MARK-UP / RETURN / INTEREST EARNED

	2008	2007
On loans and advances to:		
- Customers	849,288	359,788
- Financial Institutions	-	-
	849,288	359,788
On investments:		
- Held for trading securities	41,067	-
- Available for sale securities	228,527	321,286
- Held to maturity securities	18,634	12,229
	288,228	333,515
On deposits with financial institutions	2,199	4,800
On securities purchased under resale agreements	336,310	199,659
On call lendings	281,979	285,159
	1,758,004	1,182,921

24. MARK-UP / RETURN / INTEREST EXPENSED

	2008	2007
Deposits	886,189	814,329
Securities sold under repurchase agreements	171,638	6,922
Other short-term borrowings	1,593	68
Long-term borrowings	-	1,038
SBP export refinance	10,417	14,229
Forward cover fee	-	1,283
Others	1,470	-
	1,071,307	837,869

	Note	2008	2007
		(Rupees in '000)	

25. GAIN ON SALE OF SECURITIES - NET

	Note	2008	2007
Government securities		382	(15,412)
Fully paid-up shares			
Listed		4,977	69,360
Unlisted		-	-
Others		-	(55)
		5,359	53,893

26. OTHER INCOME

	Note	2008	2007
Net profit on sale of property and equipment		1,590	1,791
Others		44,673	26,267
		46,263	28,058

27. ADMINISTRATIVE EXPENSES

	Note	2008	2007
Salaries, allowances and benefits		689,837	477,391
Contribution to provident fund scheme		21,045	11,508
Non-executive directors' fees, allowances and other expenses		4,712	555
Rent, taxes, insurance, electricity, etc.		206,827	98,056
Legal and professional charges		30,821	30,885
Communications		102,679	50,370
Repairs and maintenance		62,657	44,892
Finance charges on leased assets		893	328
Stationery and printing		24,416	19,562
Advertisement and publicity		70,443	6,358
Auditors' remuneration	27.1	3,993	3,478
Depreciation	11.2	111,220	72,179
Amortisation of intangible assets	11.3	6,131	5,721
Travelling and conveyance		54,997	29,359
Charges paid to Central Depository Company		359	225
Security services		23,445	12,605
Others		46,602	28,417
		1,461,077	891,889

		Note	2008	2007
			(Rupees in '000)	
27.1	**Auditors' remuneration**			
	Statutory audit fee		1,000	1,000
	Reviews, certifications and other services		2,650	2,169
	Out of pocket expenses		343	309
			3,993	3,478

28. OTHER PROVISIONS / WRITE OFFS - NET

	Note	2008	2007
Provision against bad and doubtful other assets	13.2	824	24,000
Reversal of provision against bad and doubtful other assets	13.2	(10,888)	(1,288)
Provision against off balance sheet obligations	19.1	11,000	-
Others (Provision / write offs)		-	6,133
		936	28,845

29. OTHER CHARGES

	2008	2007
Penalties imposed by State Bank of Pakistan	49,026	652
	49,026	652

30. TAXATION

	2008	2007
For the year		
Current	-	10,050
Deferred	(269,130)	(59,837)
For prior years		
Current	-	-
	(269,130)	(49,787)

	2008	2007
	(Rupees in '000)	

31. LOSS PER SHARE

	2008	2007
Loss after taxation	(742,311)	(1,322,892)
	Number of shares	
Weighted average number of ordinary shares	876,951,675	726,951,675
	Rupees	
Loss per share	(0.85)	(1.82)

31.1 Diluted earnings per share has not been presented as the bank does not have any convertible instruments in issue at December 31, 2007 and 2008 which would have any effect on the earnings per share if the option to convert is exercised.

32. CASH AND CASH EQUIVALENTS

	Note	2008	2007
		(Rupees in '000)	
Cash and balances with treasury banks	6	774,575	1,003,611
Balances with other banks	7	331,201	63,348
		1,105,776	1,066,959

33. STAFF STRENGTH

	2008	2007
	(Number)	
Permanent	568	533
Temporary / on contractual basis	3	3
Bank's own staff strength at the end of the year	571	536
Outsourced	455	688
Total number of employees at the end of the year	1,026	1,224

34. DEFINED CONTRIBUTION PLAN

The bank operates a contributory provident fund scheme for 504 employees (2007: 414 employees). Both employer and employees contribute 8.33 percent of the basic salaries to the fund every month.

35. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Note	2008			2007		
		President and Chief Executive Officer *	Directors	Executives	President and Chief Executive Officer	Directors	Executives
		------------Rupees in '000------------			------------Rupees in '000------------		
Fees		-	4,712	-	-	105	-
Managerial remuneration		10,368	-	181,116	14,775	-	101,330
Honorarium		-	-	-	-	450	-
Contribution to defined contribution plan		694	-	12,993	-	-	6,606
Rent and house maintenance		3,786	-	75,450	270	-	38,284
Utilities		1,037	-	18,112	1,478	-	9,425
Medical		1,037	-	18,112	1,478	-	9,425
Cash reimbursement		-	-	14,644	-	-	10,549
Bonus		8,125	-	3,250	2,500	-	42,396
Conveyance		-	-	246	-	-	194
Leave encashment		-	-	-	-	-	-
Other allowances		-	-	3,500	-	-	4,809
		25,047	4,712	327,423	20,501	555	223,018
Number of persons	35.1	2	5	179	1	9	119

* Including Rs 2.483 million paid to former Chief Executive officer of the bank who worked for part of the year.

35.1 Number of persons include the outgoing President, Director(s) and executives.

35.2 The Chief Executive Officer and certain executives of the bank are provided with free use of the bank's maintained cars.

35.3 Executives mean employees, other than the Chief Executive Officer and directors, whose basic salary exceeds five hundred thousand rupees in a financial year.

36. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgement in the process of applying the bank's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The significant accounting areas where various assumptions and estimates are significant to the bank's financial statements or where judgement was exercised in application of the accounting policies are as follows:

i) classification and provisioning against investments (notes 5.3 and 9)

ii) income taxes (notes 5.7, 12 and 30)

iii) classification and provisioning against advances (notes 5.4 and 10)

iv) depreciation and amortisation of operating fixed assets (notes 5.5 and 11)

37. FAIR VALUE OF FINANCIAL INSTRUMENTS

On-balance sheet financial instruments

The fair value of traded investments is based on quoted market prices, except for tradable securities classified as 'held to maturity'. These securities are carried at amortised cost in order to comply with the requirements of BSD Circular No. 14 dated September 24, 2004. The fair value of these investments amounts to Rs 227.067 million (2007: Rs 505.969 million).

Fair value of unquoted equity investments is determined on the basis of break up value of these investments as per the latest available audited financial statements.

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment in respect of loans and advances has been calculated in accordance with the bank's accounting policy as stated in note 5.4 to these financial statements.

The maturity and repricing profile and effective rates are stated in note 44 and 46 to these financial statements.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short-term in nature or in the case of customer loans and deposits are frequently repriced.

Off-balance sheet financial instruments

	2008		2007	
	Book value	Fair value	Book value	Fair value
	----------------------- Rupees in '000 ----------------------			
Forward purchase of foreign exchange	804,200	799,095	184,080	185,569
Forward sale of foreign exchange	804,215	799,095	-	-

38. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

Particulars	2008				
	Corporate finance	Trading & sales	Retail banking	Commercial banking	Total
	------------------------------ Rupees in '000 ------------------------------				
Total income (net of interest expense and provisions)	5,736	111,663	93,221	288,978	499,598
Total operating expenses	16,135	171,079	1,061,526	262,299	1,511,039
Net loss (before tax)	(10,399)	(59,416)	(968,305)	26,679	(1,011,441)
Segment assets		8,963,915	3,828,431	6,670,624	19,462,970
Segment non-performing loans	-	-	396,234	1,564,909	1,961,143
Segment provision held *	-	429,991	367,654	2,177,989	2,975,634
Segment liabilities	-	208,449	7,710,890	3,105,843	11,025,182
Segment return on gross assets (ROA) (%)	-	(0.66)%	(25.29)%	0.40%	(5.20)%
Segment cost of funds (%)	-	9.15%	9.10%	10.68%	9.11%

Particulars	2007				
	Corporate finance	Trading & sales	Retail banking	Commercial banking	Total
	------------------------------ Rupees in '000 ----------------------------				
Total income (net of interest expense and provisions)	10,116	89,976	194,739	(746,124)	(451,293)
Total operating expenses	12,444	49,801	820,969	38,172	921,386
Net loss (before tax)	(2,328)	40,175	(626,230)	(784,296)	(1,372,679)
Segment assets	-	14,737,789	3,749,469	5,051,423	23,538,681
Segment non-performing loans	-	-	148,234	1,724,262	1,872,496
Segment provision held *	-	427,590	232,614	2,223,175	2,883,379
Segment liabilities	-	11,869	14,220,631	220,644	14,453,144
Segment return on gross assets (ROA) (%)	-	0.27%	(16.70)%	(15.53)%	(5.83)%
Segment cost of funds (%)	-	8.93%	8.86%	9.60%	

* The provision against each segment represents provision held against advances, investments and other assets.

39. TRUST ACTIVITIES

The bank is currently not engaged in any trust activities.

40. RELATED PARTY TRANSACTIONS

The bank has related party relationship with its associates, employee contribution plan, its directors and key management personnel.

Banking transactions with the related parties are executed substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk.

Contributions to the contributory provident fund scheme are made in accordance with the terms of the contribution plan. Remuneration to the Chief Executive Officer and directors are disclosed in note 35 to these financial statements and are determined in accordance with the terms of their appointment.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the bank. The bank considers all members of their management team, including the Chief Executive Officer and Directors to be key management personnel.

Details of transactions with related parties are given below:

	2008			2007		
	Key management personnel	Associates	Others	Key management personnel	Associate	Others
	-------------Rupees in '000-------------			-------------Rupees in '000-------------		
BALANCES OUTSTANDING- GROSS						
Advances **						
At January 1	45,701	45,500	-	14,890	55,617	-
Disbursed during the year	44,546	-	-	42,230	-	-
Repaid during the year	(14,363)	-	-	(3,038)	(10,117)	-
Adjustments	(12,923)	-	-	(8,381)	-	-
At December 31	62,961	45,500	-	45,701	45,500	-
Provision held against advances	-	45,500	-	-	45,500	-
Deposits						
At January 1	24,405	14,443	15,288	15,499	34,921	-
Received during the year	362,197	358,000	87,851	161,719	181,770	26,860
Withdrawn during the year	(311,724)	(355,146)	(45,178)	(148,831)	(165,122)	(11,572)
Adjustments	(16,269)	(1,363)	-	(3,982)	(37,126)	-
At December 31	58,609	15,934	57,961	24,405	14,443	15,288
Others						
Guarantees	-	42,196	-	-	3,733	-
Balances in nostro accounts	-	1,053	-	-	-	-

	2008			2007		
	Key management personnel	Associates	Others	Key management personnel	Associates	Others
	------------Rupees in '000------------			-----------Rupees in '000-----------		
Investment in shares	-	371,470	-	-	371,472	-
Sundry receivables	-	32,791	-	-	2,224	-
Sundry payable	-	25,000	-	-	-	-
Balances in vostro accounts	-	12,787	-	-	492	-
Provision against diminution in the value of investments	-	242,383	-	-	196,383	-
TRANSACTIONS DURING THE YEAR						
Remuneration and benefits	137,116	-	-	117,548	-	-
Directors fee	4,712	-	-	105	-	-
Commission income on guarantees	-	318	-	-	-	-
Commission expense on guarantees	-	389	-	-	-	-
Commission sharing on guarantees	-	2,328	-	-	-	-
Letter of guarantees issued	-	38,463	-	-	-	-
Letter of guarantee cancelled	-	-	-	-	915	-
Mark-up / return / interest expensed	2,388	445	774	602	2,454	195
Mark-up / return / interest income	2,095	-	-	1,223	-	-
Disposal of fixed assets	459	-	-	569	-	-

** These represent secured balances.

40.1 All the above balances outstanding are unsecured, unless otherwise specified.

41. CAPITAL ADEQUACY

41.1 Capital Management

The objective of managing capital is to safeguard the Bank's ability to continue as a going concern, so that it could continue to provide adequate returns to shareholders by pricing products and services commensurately with the level of risk. It is the policy of the Bank to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

Goals of managing capital

The goals of managing capital of the Bank are as follows:

- To be an appropriately capitalised institution, as defined by regulatory authorities and comparable to the peers;

- Maintain strong ratings and to protect the Bank against unexpected events;

- Availability of adequate capital (including the quantum) at a reasonable cost so as to enable the Bank to expand; and achieve low overall cost of capital with appropriate mix of capital elements.

Statutory minimum capital requirement and management of capital

The State Bank of Pakistan through its BSD Circular No. 19 dated September 5, 2008 requires the minimum paid up capital (net of losses) for Banks / Development Finance Institutions to be raised to Rs 23 billion by the year ending December 31, 2013. The raise is to be achieved in a phased manner requiring Rs 5 billion paid up capital (net of losses) by the end of the financial year 2008. The paid up capital (net of losses) of the Bank for the year ended December 31, 2008 stood at Rs 5.47 billion and is in compliance with the SBP requirement for the said year. In addition the Banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 9 percent of the risk weighted exposure of the Bank. The bank's CAR as at December 31, 2008 was approximately 55.13 percent of its risk weighted exposure.

Bank's regulatory capital analysed into two tiers

Tier 1 capital, includes fully paid up capital (including the bonus shares), balance in share premium account, general reserves as per the financial statements and net un-appropriated profits, etc after deductions for investments in the equity of subsidiary engaged in banking and financial activities and deficit on revaluation of available for sale investments.

Tier 2 capital, includes general provisions for loan losses (up to a maximum of 1.25 percent risk weighted assets), reserves on the revaluation of fixed assets and equity investments (up to a maximum of 45 percent of the balance in the related revaluation reserves), foreign exchange translation reserves, etc.

The Capital of the Bank is managed keeping in view the minimum "Capital Adequacy Ratio" required by SBP through BSD Circular No. 30 dated November 25, 2008. The adequacy of the capital is tested with reference to the risk-weighted assets of the Bank.

The required capital adequacy ratio (9 percent of the risk-weighted assets) is achieved by the bank through improvement in the asset quality at the existing volume level, ensuring better recovery management and striking compromise proposal and settlement and composition of asset mix with low risk. Banking operations are categorised as either trading book or banking book and risk-weighted assets are determined according to specified requirements of the State Bank of Pakistan that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. The total risk-weighted exposures comprise the credit risk and market risk.

The calculation of Capital Adequacy enables the Bank to assess the long-term soundness. As the bank carries on the business on a wide area network basis, it is critical that it is able to continuously monitor the exposure across the entire organisation and aggregate the risks so as to take an integrated approach / view. The Bank has complied with all externally imposed capital requirements through out the period. Further, there has been no material change in the Bank's management of capital during the period.

41.2 Capital adequacy ratio

The capital to risk weighted assets ratio, calculated in accordance with the State Bank of Pakistan's guidelines on capital adequacy using Basel 2 standardised approach is presented below. Comparative information for 2007 is given in note 41.5 which has been prepared based on Basel 1 requirements which were then applicable.

		2008 (Rupees in '000)
Regulatory capital base		
Tier I capital		
Share capital		8,769,517
Share premium		-
Reserves		43,080
Unappropriated / unremitted profits (Net of Losses)		(3,336,267)
Minority in the equity of the subsidiaries		-
Innovative and other capital instruments (if any)		-
Less: Goodwill, investment in commercial entities (50%) etc.*		(77,409)
Calculation difference (expected losses vs eligible provisions)		(14,176)
Total Tier I Capital		5,384,745
Tier II Capital		
Subordinated Debt (upto 50% of total Tier 1 Capital)		-
General provisions subject to 1.25% of total risk weighted assets		123,485
Revaluation reserve (upto 45%)		-
Less: Calculation difference (expected losses vs eligible provisions)		-
Investment in commercial entities (50%)*		(62,044)
Total Tier II capital		61,441
Eligible Tier III capital		-
Total regulatory capital	(a)	5,446,186

* includes Rs 62.045 million (Tier I Capital) and Rs. 62.044 million (Tier II Capital) in respect of the bank's investment in an associated company.

Risk-weighted exposures		2008	
		Capital Requirement	Risk adjusted value
		------------ Rupees in '000 ------------	
Credit risk			
Portfolios subject to standardized approach (Simple Approach)			
On-Balance Sheet Items:			
Sovereign and Central Banks		-	-
Public Sector Entities (PSEs)		23,614	295,180
Banks and Securities Firms		46,502	581,269
Corporates Portfolio		122,524	1,531,548
Retail Non Mortgages		125,321	1,566,509
Mortgages – Residential		6,828	85,356
Securitized Assets		-	-
Equities		4,832	60,394
Fixed Assets		91,386	1,142,325
Other Assets		153,455	1,918,186
Past Due Exposures		11,668	145,849
Off balance sheet items:			
Non-Market Related:-			
Direct credit substitutes		141,200	1,765,002
Performance-related contingencies		7,757	96,964
Trade-related contingencies		4,649	58,109
Lending of securities or posting of securities as collateral		-	-
Other commitments		-	-
Market related:-			
Outstanding Interest rate contracts		-	-
Outstanding Foreign Exchange Contracts		339	4,241
Portfolios subject to Internal Rating Based (IRB) Approach			
e.g. Corporate, Sovereign , Retail, Securitization etc.	N/A		

Risk-weighted exposures		2008 Capital Requirement	2008 Risk adjusted value
		------------ Rupees in '000	------------
Equity Exposure Risk in the Banking Book			
Equity portfolio subject to market-based approaches			
Under simple risk weight method	N/A		
Under Internal models approach			
Equity portfolio subject to PD / LGD			
Market Risk			
Capital Requirement for portfolios subject to Standardized Approach			
Interest rate risk		3,024	37,800
Equity position risk		-	-
Foreign Exchange Risk		1,696	21,203
Position in Options		-	-
Capital Requirement for portfolios subject to Internal Models Approach			
Interest rate risk	N/A		
Foreign exchange risk etc.			
Operational Risk			
Capital Requirement for operational risks		45,508	568,853
TOTAL	(b)	790,303	9,878,788
Capital Adequacy Ratio			
Total eligible regulatory capital held	(a)	5,446,186	
Total Risk Weighted Assets	(b)	9,878,788	
Capital Adequary Ratio	**(a / b)**	**55.13%**	

41.3 Cash margin and government securities amounting to Rs 138.093 million have been deducted from gross advances using simple approach to credit risk mitigation under Basel II. Advances are not net off with general provision amounting to Rs 123.547 million which is reported separately in Tier II (supplementary) capital as per BSD circular letter number 03 dated May 20, 2006.

41.4 Cash margin and government securities amounting to Rs 25.715 million have been deducted from off-balance sheet items.

		2007 (Rupees in '000)
41.5 Capital adequacy ratio as at December 31, 2007		
Regulatory capital base		
Tier I capital		
Share capital		8,769,517
Reserves		43,080
Accumulated loss		(2,593,956)
Less: Deficit on revaluation of securities		(30,741)
Total Tier I Capital		6,187,900
Tier II Capital		
General provisions subject to 1.25% of total risk weighted assets		120,302
Eligible surplus on revaluation of securities		6,078
Total Tier II capital		126,380
Eligible Tier III capital		-
Total regulatory capital	(a)	6,314,280

Risk-weighted exposures	2007 Book Value	2007 Risk adjusted value
	------------ Rupees in '000	------------
Credit risk		
Balance sheet Items:		
Cash and balances with treasury banks	1,003,611	-
Balances with other banks	63,348	12,670
Lendings to financial institutions	8,565,836	1,455,580
Investments - net	3,947,925	525,076
Advances	4,618,049	4,394,747
Operating fixed assets	854,292	854,292
Deferred tax asset - net	804,266	804,266
Other assets	722,911	380,105
	20,580,238	8,426,736

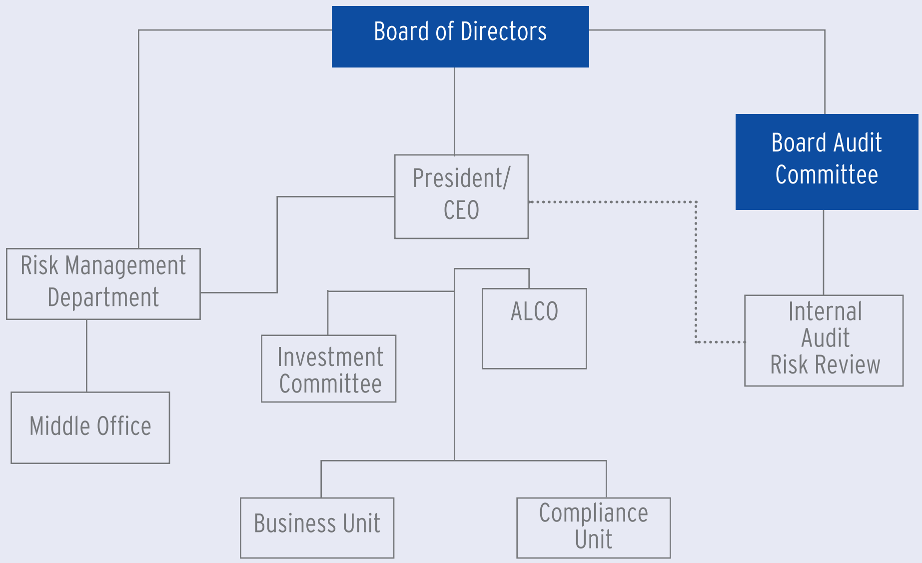
Risk-weighted exposures		2007	
		Book Value	Risk adjusted value
		------------ Rupees in '000 ------------	
Off balance sheet items:			
Loan repayment guarantees		155,450	155,450
Performance bonds etc		330,194	165,097
Stand by letters of credit		1,559,823	779,912
Outstanding foreign exchange contracts		306,880	1,228
		2,352,347	1,101,687
Credit risk-weighted exposures			9,528,423
Market risk			
Specific market risk (foreign exchange)	(b)		9,732
Market risk-weighted exposures [(b) x 12.5]			121,650
Total risk-weighted exposures	(c)		9,650,073
			Percentage
Capital adequacy ratio [(a) / (c) x 100)]			65.43%

42. RISK MANAGEMENT

Risk can be defined as the combination of the probability of an event and its consequences. In all types of undertaking, there is the potential for events and consequences that constitute opportunities for benefit (upside) or threats to success (downside). Risk Management is increasingly recognized as being concerned with both positive and negative aspects of risk. However as a matter of prudence it is generally recognized that consequences are only negative and therefore the management of safety risk is focused on prevention and mitigation of harm.

The types and degree of risk an organization may be exposed to depend upon its size, complexity in business activities, volume etc. Until and unless risks are not assessed and measured it will not be possible to control risks. Further, a true assessment of risk gives management a clear view of bank's standing and helps in deciding future action plan. Management of risk by banks in Pakistan is governed by rules and regulations set by the State Bank of Pakistan in its capacity as a regulator of banks.

The bank is exposed to a number of risks, such as credit, market, operational, liquidity, etc. The Board of Directors is ultimately responsible for effective risk management function. In order to find an appropriate balance between the level of risk and desired return, the Board has delegated its authority to some specialized committees such as Executive Team (ET), Credit Committee (CC), Asset and Liability Committee (ALCO) and other committees established under the directions of the Board. These committees act within the bank's overall policies and delegated authorities by the Board. The designated committee reviews and monitors relevant risks associated with activities of the specific area and reports to the Board regularly. The credit committee ensures that an adequate risk-return profile is being maintained with a ceiling for maximum risk exposures i.e. risk appetite.



42.1 Credit Risk

Credit Risk is the risk of loss as a result of failure by a client or counterparty to meet its contractual obligations. Credit Risk arises from all transactions that give rise to actual, contingent or potential claims against any counterparty, borrower or obligor. The principal source of credit risk arises from loans and advances to Financial Institutions and Corporates.

Credit Risk Management (CCRM) Objectives & Policies:

Specific credit risk management objectives are:

- To gain a clear and accurate understanding and independent assessment of the level of credit risk being undertaken, from the level of individual facilities up to the total portfolio.
- To develop and implement uniform and acceptable credit standards across the bank.
- To ascertain that over all risk of the bank's corporate credit portfolio remains within manageable limits.
- To control and plan the taking of credit risk, ensuring it is appropriately diversified and avoiding undesirable concentrations.
- To ensure that an effective CCRM framework is in place that enables a proactive approach to identifying potential risks.
- To ensure that the balance sheet correctly reflects the value of our assets.

CCRM Organization and Structure:

Taking credit risk is central to the business therefore it has been ensured that business managers in conjunction with risk managers are responsible for establishing and maintaining appropriate risk limits and risk management procedures.

Credit Approval Authorities and Standardized Procedures:

A system of checks and balances has been established around the extension of credit which is based on an independent risk management function and multiple credit approvers. Every extension of credit is required to be approved by at-least three authorized Credit Officers including the Sponsoring Officer and one from CCRM.

Corporate Credit Approval Process Guidelines (CAPG) and the Credit Policy and Procedures Manual (CPPM) both approved by the Board of Directors (BoD) include:

- Setting maximum exposure limits for a single obligor and for a single group of related obligors based upon the obligor risk rating of the customer and the group.
- Defining maximum exposure limit to an individual sector in terms of portfolio composition to avoid excessive concentration.
- Requirement to risk rate every obligor on the basis of a standard and approved internal credit risk rating policy.
- Setting consistent standards to be followed across the Corporate, Financial Institution Group for the origination, documentation and maintenance of extensions of credit. These standards include problem recognition, the classification process of problem credits and remedial action.

Quarterly reporting is made to the BoD on all credit exposures approved during the quarter, all changes in classification, provisions and write-offs taken during the quarter.

Credit Risk Portfolio Management:

The bank seeks to manage its credit risk exposure by ensuring that its customers meet the minimum credit standards as defined in the approved CPPM. It also seeks diversification of lending activities by ensuring that there is no undue concentration of risks within groups of customers, industry segments and tenor buckets.

The corporate portfolio is monitored through the Credit Risk Management Committee (CRMC) which includes senior business and risk managers. The major functions of the CRMC include:

- To establish and review the lending policies and standards that conforms to the regulations and the corporate policies.
- Manage and ensure that the overall credit risk exposure of the bank does not breach the pre-defined limits.
- Develop and implement standards of credit quality.
- Regularly review, monitor and evaluate the quality of credit portfolio in the light of the approved limits.
- Approve and review the overall provisioning of the corporate portfolio.

Risk Rating

The BoD has approved the Internal Credit Risk Rating Policy for the Corporate and Investment Banking Group. Through this policy, an appropriate rating mechanism has been devised for the purpose of identifying and measuring the credit risk against each obligor / transaction. The mechanism considers factors such as management, financial health, overall past performance at industry / country level, etc. and subsequently, the facility structuring /collateral and/or support (if any).

For the purpose of evaluating credit risk and assigning grades that illustrate the credit risk associated with the obligor, an Obligor Risk Rating model named "FARAS" Financial Analysis and Risk Assessment System (copyright of Samba Financial Group and licensed to the bank for its use) Pakistan Version (modified to suit Pakistani economic environment) has been implemented. The model determines the Obligor Risk Rating (ORR) based on certain quantitative and qualitative information/assessment. It assigns grades from "2" to "7" (under the performing category), with sub-grades to denote a better or worse position than the full grade to a degree that is sufficient to be noted, but not material enough to require a full grade change (upgrade or downgrade). FARAS has been introduced, implemented and in use by the Corporate & Investment Banking Groups and forms an integral part of the CA Approval process that materially helps in decision making.

The bank has implemented a maker and checker control process for assigning the Final ORR to an obligor. The business managers are the makers and Independent Risk is the checker and also approves the final assigned risk rating to an obligor.

ORRs ranging between "8" to "10" are assigned to classified obligors based upon an internal classification and remedial management process.

The Credit limits delegations under the CAPG are based on a grid that is driven by the assigned risk rating.

Mitigants

A range of initiatives are used to mitigate credit risk.

Credit Principles and Policy:
To ensure consistency and standardization across the Corporate, Financial Institution and Investment Banking Groups, standard credit procedures and policy are implemented through the BoD approved CPPM and the CAPG. This ensures clear definition of responsibilities of the business, risk, credit administration and remedial departments and provides a basis for a disciplined environment.

Counter Party Limits and Credit Scoring:
The maximum permitted per party limits under the credit delegations are derived as a function of the ORR of that obligor or group of obligors and therefore, acts as a check and balance on building up excessive obligor concentrations.

Concentration Risk:
The Credit Policy provides limits for industry sector concentrations and through the regular CRMC meetings on the portfolio composition, exposures are monitored to prevent excessive concentration of risk.

Collateral:
One of the mitigants is the collateral held against the credit exposures. The Credit Policy requires that collateral should always be realistically valued, providing margins, duly insured in favour of the bank and giving the bank a pari passu status with other lenders for similar transactions / nature of exposure. In case of a weak credit, facility specific support / guarantees are recommended as risk mitigation. To minimize the credit loss, seeking additional collateral from the obligor is recommended, as soon as impairment indicators are noticed in individual loans and advances.

Early Warning Mechanism:
The Credit Policy has prescribed an early warning mechanism which the business managers are required to follow. Due to early problem recognition the business may seek additional collateral and exercise other such measures to stop further deterioration.

Target Market Screens (TM) and Risk Acceptance Criteria (RAC):
Generic TM Screens & RACs have been approved and put in place as basic guiding rules.

Remedial Management and Allowances for Impairment

The CPPM defines the Classified Credit process to be followed in order to establish a consistent approach to problem recognition, problem labelling, remedial action, loan loss provisioning and the initiation of credit write-offs. It defines clear responsibilities pertaining to all processes that are required to be followed, in order to have an effective remedial management set-up in place.

A Remedial Asset Committee comprising senior remedial, business and risk managers under the initiative of the Remedial Management Group, conducts regular reviews of the corporate credit classified portfolio and also recommends recovery / work-out plans, waivers and write-offs.

The bank follows a very stringent loan loss reserve policy and as a result the impaired portfolio of the bank is almost fully provisioned.

43. SEGMENTAL INFORMATION

43.1 Segment by class of business

	2008					
	Gross advances		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Chemical and pharmaceuticals	8,340	0.10	20,565	0.21	8,860	0.14
Agriculture, forestry, hunting and fishing	-	-	111,160	1.13	-	0.00
Mining and quarrying	-	-	-	0.00	-	0.00
Textile spinning	1,271,212	14.76	89,378	0.91	36,577	0.59
Cement	-	-	29	0.00	-	0.00
Sugar	21,236	0.25	1,533	0.02	-	0.00
Footwear and leather garments	66,756	0.78	365	0.00	-	0.00
Automobile and transportation services	1,328	0.02	244,161	2.48	452	0.01
Financial	58	-	425,692	4.32	50,727	0.82
Insurance	829	0.01	121,574	1.23	-	0.00
Electronics and electrical appliances	39,168	0.46	6,672	0.07	-	0.00
Construction	13,409	0.16	23,569	0.24	85,168	1.37
Power (electricity), gas, water and sanitary	1,591,383	18.48	193,284	1.96	-	0.00
Individuals	2,871,461	33.37	4,102,662	41.61	-	0.00
Manufacturing	8,574	0.10	13,081	0.13	4,060,450	65.38
Wholesale and retail Trade	478,286	5.56	109,830	1.11	-	0.00
Exports/Imports	-	-	17,572	0.18	-	0.00
Transport, storage and communication	360,067	4.18	333,747	3.39	87,008	1.40
Services	9,226	0.11	79,870	0.81	1,682,864	27.10
Paper and allied	-	-	55	0.00	-	0.00
Oil refinery	-	-	2,150,001	21.81	-	0.00
Others	1,864,556	21.66	1,814,737	18.39	198,175	3.19
	8,605,889	100.00	9,859,537	100.00	6,210,281	100.00

	2007					
	Gross advances		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Chemical and pharmaceuticals	8,340	0.12	43,236	0.34	11,700	0.56
Agriculture, forestry, hunting and fishing	-	0.00	13,151	0.10	-	0.00
Mining and quarrying	-	0.00	-	0.00	-	0.00
Textile spinning	892,625	12.56	68,923	0.55	39,345	1.88
Cement	-	0.00	59	0.00	105,525	5.05
Sugar	25,732	0.36	46,993	0.37	-	0.00
Footwear and leather garments	66,897	0.94	-	0.00	-	0.00
Automobile and transportation services	1,328	0.02	556,649	4.40	300	0.01
Financial	6,214	0.09	1,066,621	8.44	400	0.02
Insurance	829	0.01	-	0.00	-	0.00
Electronics and electrical appliances	90,094	1.27	513	0.00	-	0.00
Construction	-	0.00	-	0.00	130,187	6.23
Power (electricity), gas, water and sanitary	1,542,362	21.71	29,640	0.23	9,925	0.47
Individuals	3,214,762	45.24	5,741,867	45.41	1,000	0.05
Manufacturing	-	0.00	-	0.00	808	0.04
Wholesale and retail Trade	-	0.00	-	0.00	3,610	0.17
Exports/Imports	-	0.00	-	0.00	-	0.00
Transport, storage and communication	350,000	4.93	-	0.00	68,430	3.27
Services	-	0.00	-	0.00	1,563,075	74.80
Paper and allied	-	0.00	-	0.00	-	0.00
Oil refinery	-	0.00	-	0.00	-	0.00
Others	906,255	12.75	5,077,286	40.16	155,346	7.45
	7,105,438	100.00	12,644,938	100.00	2,089,651	100.00

43.2 Segment by sector

	2008					
	Gross advances		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	1,475,898	17.15	2,773,283	28.13	1,175,139	18.92
Private	7,129,991	82.85	7,086,254	71.87	5,035,142	81.08
	8,605,889	100.00	9,859,537	100.00	6,210,281	100.00

	2007					
	Gross advances		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	1,000,000	14.07	2,147,246	16.98	1,933,547	92.53
Private	6,105,438	85.93	10,497,692	83.02	156,104	7.47
	7,105,438	100.00	12,644,938	100.00	2,089,651	100.00

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

	2008		2007	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	---------------------- Rupees in '000 ----------------------			
Chemical and pharmaceuticals	8,233	3,135	7,561	3,135
Agriculture, forestry, hunting and fishing	-	-	-	-
Mining and quarrying	-	-	-	-
Textile	647,317	644,109	667,956	665,417
Cement	-	-	-	-
Sugar	21,236	21,236	21,236	21,236
Footwear and leather garments	66,756	65,766	66,756	65,766
Automobile and transportation services	1,328	-	-	-
Financial	58	58	6,214	58
Insurance	829	-	-	-
Electronics and electrical appliances	39,168	36,690	-	-
Construction	4,914	4,914	-	-
Power (electricity), gas, water, sanitary	58,222	58,222	87,616	87,364
Individuals	372,211	242,610	178,314	126,379
Manufacturing	-	-	-	-
Wholesale and retail trade	-	-	-	-
Exports / Imports	-	-	-	-
Transport, storage and communication	10,067	8,670	-	-
Services	9,226	9,226	-	-
Paper and allied	-	-	-	-
Oil refinery	-	-	-	-
Others	721,578	691,537	836,843	821,444
	1,961,143	1,786,173	1,872,496	1,790,799

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

Public / Government	-	-	-	-
Private	1,961,143	1,786,173	1,872,496	1,790,799
	1,961,143	1,786,173	1,872,496	1,790,799

43.5 Geographical segment analysis

	2008			
	Loss before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	---------------------------- Rupees '000			-------------------------
Pakistan	(1,011,441)	16,487,336	5,462,154	6,210,281

	2007			
	Loss before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	-------------------------- Rupees '000			--------------------------
Pakistan	(1,372,679)	20,655,302	6,202,158	2,089,651

The bank does not have any overseas operations, therefore its entire geographical dispersion arises inside Pakistan.

43.6 **Credit Risk – General Disclosures, Basel II Specific**

The bank has adopted Standardized Approach, under Basel II. According to the regulatory statement submitted under the Standardized Approach, the portfolio has been divided into claims on Public Sector Entities in Pakistan (PSEs), claims on corporate (excluding equity exposure) and claims categorized as retail portfolio. Claims on corporate constitute 38% of the total exposure, 23% represents claims on PSEs and the remaining 39% exposure pertains to claims categorized as retail portfolio.

43.7 **Credit Risk: Standardized Approach**

Currently the bank does not have any policy whereby customers have to be rated by a rating agency. Therefore, the bank uses unsolicited / solicited ratings of JCR-VIS, PACRA and other foreign agencies wherever applicable.

Following are the types of exposure for which each agency is used:

Exposure	JCR-VIS	PACRA	Fitch & Moody's
Corporate	✔	✔	-
Banks	✔	✔	✔
Sovereigns	-	-	-
SME's	-	-	-
Securitizations	-	-	-

Most of the bank's asset base is short or medium term. Therefore, the bank uses the entity's rating to assess the risk of our exposure without any adjustments.

For exposure amounts after risk mitigation subject to the standardized approach, amount of bank's/DFI's outstandings (rated & unrated) in each risk bucket as well as those that are deducted are as follows:

Exposure	Rating category No	Amount outstanding	Deduction CRM*	Net Amount
Corporate	1-4	7,185,082	15,000	7,170,082
Banks	1-5	2,644,710	-	2,644,710
Sovereigns (local govt. securities)		1,221,759	-	1,221,759
Unrated		2,304,283	41,172	2,263,111
Total		13,355,834	56,172	13,299,662

* CRM= Credit Risk Mitigation

Main types of collateral taken by the bank are:-

- Cash Margin
- Lien on deposits/ government securities
- Hypothecation on stocks/ assets
- Mortgage on properties

Eligible financial collateral and other eligible collateral after the application of haircuts.

The bank has adopted simple approach to credit risk mitigation under Basel II and therefore have not applied any haircuts to the collateral. Moreover our eligible collateral only includes cash / liquid securities.

43.8 Market risk

The bank is exposed to market risk which is the risk that the value of on and off-balance sheet exposures of the bank will be adversely affected by movements in market rates or prices such as interest rates, foreign exchange rates, equity prices, credit spreads and/or commodity prices resulting in a loss to earnings and capital.

Principal sources of Market Risks in both Trading Book and Banking Book

Treasury has been operating under the market risk limits duly approved by the Board in April 2008. Market risk limits package covering below types of market risk:

Price Risk

Price risk is the risk that there may be financial loss as a result of a change in the level or volatility of interest rates, foreign exchange rates, and commodity or equity prices.

Liquidity Risk

Liquidity risk is the risk that any bank, business and its entities, will be unable to meet a financial commitment when due.

<u>Differentiation between trading and banking book</u>

Trading Book

- Positions that are assumed to be held short term
- Securities are to be sold within 90 days from the date of their classification as held for trading under normal circumstances.
- They are marked-to-market (MTM) daily
- Any MTM difference affects the profit and loss (P&L) account

Banking Book

- Securities holding intention is for long term
- Sale before maturity is permitted
- Positions are MTM periodically
- MTM differences affect the capital account
- P&L account is affected only by "accrued" numbers

43.9 Market Risk Management

Objectives

Market risk is the risk to a bank's financial condition resulting from adverse movements in market prices. Accurately measuring a bank's market risk requires timely information about the current market values of its assets, liabilities, and off-balance sheet positions. Market risks; arise from factors such as changing interest rates and currency exchange rates, the liquidity of markets for specific commodities or financial instruments, and local or world political and economic events. All of these sources of potential market risk can affect the value of the institution and should be considered in the market risk measurement process.

Management of market risk aims to control related risk exposure while ensuring that earnings commensurate with levels of risk.

The bank has approved market risk policy encompassing market risk limit framework where all relevant market factors have been identified and taken into consideration in the establishment of the independent market risk limit frameworks. The policy also articulates standards for defining, measuring and communicating market risk. However, a comprehensive Market Risk policy will be approved later.

The bank has established quantitative limits related to market risk and has also set limits for the maximum amount of losses arising from market activities as under:

Price Risk Management

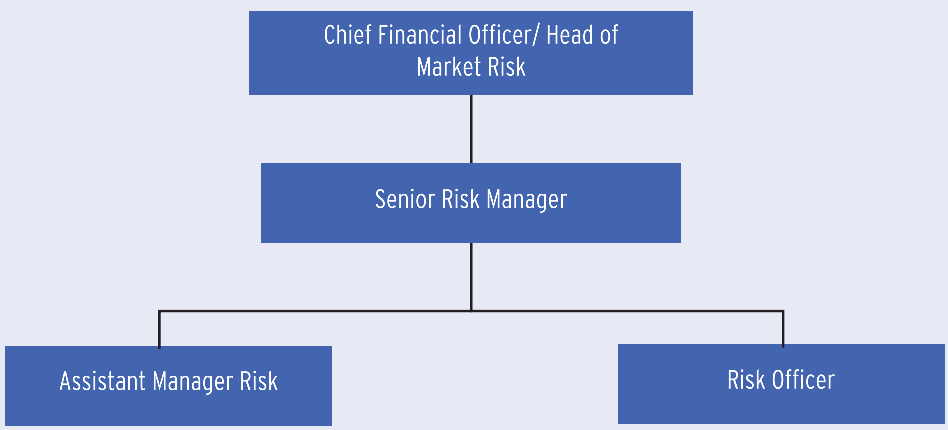
Trading accounts are being controlled through:

- Factor Sensitivity and associated limits
- Value at Risk (VaR) limits
- Trading – Action Triggers

Investment related Accrual positions are controlled through:

- Factor Sensitivity and associated limits
- DV01 limits
- Triggers – Simplified Action triggers

Structure and Organization of the market risk management



Market Risk Management Function

- Monitoring compliance with all the market risk management policies and procedures of the treasury function as approved by the Board of Directors.

- Identify and specify all relevant market factors for each risk-taking unit.

- Monitoring the day-to-day dealings of the front office against the pre-determined tolerable limits.

- Monitoring and identifying limit expiries.

- Preparing independently a 'Repricing Gap Report'.

- Ensuring that the following are reflected in the periodic (at least quarterly) profit and loss account:
    - All transactions executed; and
    - Current independent market data used with respect to revaluation. "

- Dealer limits monitoring and excess reporting.

- Dealing room activity monitoring.

- Review the factor sensitivity, VAR and stress testing methodologies and results for reasonableness, consistency and completeness.

- Preparing forecasts (simulations) showing the effect of various possible changes in market conditions relating to risk exposures and ensure their integrity.

- Jointly develop, with business, standard stress test scenarios and review the standard stress test library at least annually.

- Construct and implement standard stress tests.

- Propose the parameters of the business stress tests; review them periodically; ensure that business stress tests are appropriately developed and that they are applied against any and all businesses where they are appropriate.

- Produce the Market Risk Reports, and ensure that any reasonableness, consistency and completeness issues are appropriately addressed.

- If the back testing process results in a significant number of 'exceptions', review the market risk measurement methodology and determine whether adjustments are required.

- Review the bank's capitaladequacy.

Scope and nature of Risk Reporting

- It is the policy of the bank that a comprehensive set of market risk data, generated through the businesses' risk-taking activities, is identified and communicated throughout the applicable business, Risk Management and Senior Management.

- It is the responsibility of Market Risk Management to define, construct and maintain an independent market risk reporting framework that effectively, consistently and meaningfully communicates risks, risk appetite and the quality of earnings.

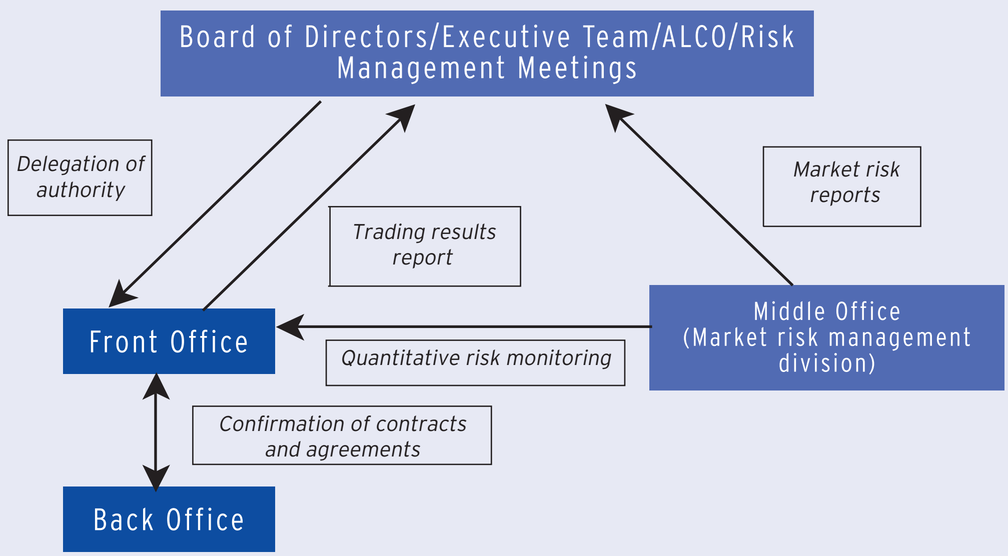
- At a minimum, market risk reports are produced for each risk-taking unit, consistent with the level at which the independent market risk limit frameworks are established. However, additional market risk reports may be produced if Market Risk Management determine that the level and/or nature of the risk within a business warrant inclusion in the market risk reporting packages.

- The market risk data and other data used to populate the independent market risk reports should be from independent risk systems or other independent support systems (e.g., general ledger). If the information available in the independent systems is not sufficiently comprehensive, any other data used to populate the reports must be subject to a reconcilement process to ensure its integrity.
- It is the responsibility of Market Risk Management and the business to assist in the quality control process by reviewing the reports for reasonableness, consistency and completeness.

Market Risk Management System

The bank has acquired market risk software (Alchemy Risk Manager) to manage the market risks from its trading and non-trading activities.

At each level, checks and balances are maintained through a system in which back and middle offices operate independently from front offices. In addition, ALCO and Risk Management Meetings are held respectively every month to deliberate important matters related to market risk and control.



43.10 **Market Risk Measurement Model**

Since the daily variation in market risk is significantly greater than with other types of risk, the bank measures and manages market risk using VaR on a daily basis.

Market risk for trading and non-trading activities is measured using a uniformed market risk measurement model. The principle model used for these activities is historical simulation (HS) model (holding period, 10 days; confidence interval, 99%; and observation period, 365 business days). The HS model calculates VaR amount by estimating the profit and loss on the current portfolio by applying actual fluctuations in the market rates and prices over a fixed period in the past. This method is capable of capturing certain statistically infrequent movements, e.g., a fat tail, and accounts for the characteristics of financial instruments with non-linear behaviour. Independent auditors have verified the accuracy and appropriateness of this internal market risk model. However, the bank is not using this model to calculate Basel II regulatory capital adequacy ratios.

The bank is using the following components for measuring risks market risk factors:

- Factor Sensitivities
- Volatility and Correlation Calculations
- Value-at-Risk (VaR)
- Stress Testing
- Back Testing

43.11 Foreign exchange risk

The foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The risk is managed through State Bank of Pakistan's forward covers and other hedging instruments. Overall foreign exchange risk is managed by dealing in authorized currencies, devising separate authority matrices for different types of foreign currency transactions and assigning the ceilings of exposures to parties. Foreign exchange open and mismatch positions controlled through internal limits and are marked to market on a daily basis to contain forward exposures.

	2008			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	---------------------------- Rupees '000 --------------------------			
Pakistan Rupee	16,042,769	10,597,550	15	5,445,234
United States Dollar	313,622	297,267	(15)	16,340
Great Britain Pound	60,769	59,078	-	1,691
Japanese Yen	9	-	-	9
Euro	67,021	71,287	-	(4,266)
Other currencies	3,146	-	-	3,146
	16,487,336	11,025,182	-	5,462,154

	2007			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	---------------------------- Rupees '000 --------------------------			
Pakistan Rupee	20,528,007	14,261,352	(184,080)	6,082,575
United States Dollar	88,131	173,138	184,080	99,073
Great Britain Pound	21,047	14,295	-	6,752
Japanese Yen	6	-	-	6
Euro	16,958	4,359	-	12,599
Other currencies	1,153	-	-	1,153
	20,655,302	14,453,144	-	6,202,158

43.12 Equity position risk

Equity position risk in trading book arises due to changes in prices of individual stocks or levels of equity indices. Currently, the bank's equity trading book comprises of Available for Sale (AFS) portfolio only. The AFS portfolio is maintained with a medium-term view of capital gains and dividend income.

44. MISMATCH OF INTEREST RATE SENSITIVE ASSETS AND LIABILITIES

The bank's interest rate sensitivity position based on the earlier of contractual re-pricing or maturity date is as follows:

	2008											
			Exposed to yield / interest rate risk									
	Effective yield/ interest rate	Total	Upto one 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
	%	Rupees in '000										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	2.25%	774,575	66,051	-	-	-	-	-	-	-	-	708,524
Balances with other banks	-	331,201	-	-	-	-	-	-	-	-	-	331,201
Lendings to financial institutions	14.14%	2,313,308	2,063,308	250,000	-	-	-	-	-	-	-	-
Investments - net	9.29%	3,829,354	995,103	2,228,934	10,000	-	-	-	324,786	91,049	-	179,482
Advances - net	17.03%	6,163,008	1,188,961	1,836,917	554,038	349,125	260,857	175,471	1,411,875	126,611	84,183	174,970
Other assets	-	186,751	-	-	-	-	-	-	-	-	-	186,751
		13,598,197	4,313,423	4,315,851	564,038	349,125	260,857	175,471	1,736,661	217,660	84,183	1,580,928
Liabilities												
Bills payable	-	55,349	-	-	-	-	-	-	-	-	-	55,349
Borrowings	9.27%	437,949	191,613	-	224,000		-	-	-	-	-	22,336
Deposits and other accounts	10.20%	9,859,537	3,027,213	3,123,557	667,001	1,197,413	296,481	316,366	18,980	-	-	1,212,526
Liabilities against assets subject to finance lease	-	420	-	-	-	-	-	-	-	-	-	420
Other liabilities	-	671,927	-	-	-	-	-	-	-	-	-	671,927
		11,025,182	3,218,826	3,123,557	891,001	1,197,413	296,481	316,366	18,980	-	-	1,962,558
On-balance sheet gap		2,573,015	1,094,597	1,192,294	(326,963)	(848,288)	(35,624)	(140,895)	1,717,681	217,660	84,183	(381,630)
Cumulative Yield / Interest Risk Sensitivity Gap			1,094,597	2,286,891	1,959,928	1,111,640	1,076,016	935,121	2,652,802	2,870,462	2,954,645	

	Effective yield/ interest rate	Total	Exposed to yield / interest rate risk									Non-interest bearing financial instruments
			Upto one 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	
2007	%	---Rupees in '000---										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	4.20%	1,003,611	9,929	-	-	-	-	-	-	-	-	993,682
Balances with other banks	3.10%	63,348	63,348	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	9.17%	8,565,836	6,415,836	1,950,000	200,000	-	-	-	-	-	-	-
Investments - net	7.95%	3,947,925	510,531	402,192	68,026	2,263,997	589	-	-	419,777	-	282,813
Advances - net	12.17%	4,693,113	339,985	2,373,711	34,663	271,260	281,748	364,452	244,320	663,999	-	118,975
Other assets	-	142,419	-	-	-	-	-	-	-	-	-	142,419
		18,416,252	7,339,629	4,725,903	302,689	2,535,257	282,337	364,452	244,320	1,083,776	-	1,537,889
Liabilities												
Bills payable	-	1,056,878	-	-	-	-	-	-	-	-	-	1,056,878
Borrowings	6.86%	182,611	-	956	158,300	1,019	-	-	-	22,336	-	-
Deposits and other accounts	8.99%	12,644,938	5,520,319	1,308,864	1,964,515	1,756,330	72,151	272,049	27,000	3,900	-	1,719,810
Liabilities against assets subject to finance lease	10.00%	3,403	1,933	-	1,144	326	-	-	-	-	-	-
Other liabilities	-	467,567	-	-	-	-	-	-	-	-	-	467,567
		14,355,397	5,522,252	1,309,820	2,123,959	1,757,675	72,151	272,049	27,000	26,236	-	3,244,255
On-balance sheet gap		4,060,855	1,817,377	3,416,083	(1,821,270)	777,582	210,186	92,403	217,320	1,057,540	-	(1,706,366)
Cumulative Yield / Interest Risk Sensitivity Gap			1,817,377	5,233,460	3,412,190	4,189,772	4,399,958	4,492,361	4,709,681	5,767,221	5,767,221	

Yield risk is the risk of decline in earnings due to adverse movement of the yield curve. Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in market interest rates. The bank is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instruments that mature or re-price in a given period. The bank monitors this risk and manages it by repricing of assets and liabilities with the objective of limiting the potential adverse effects on the profitability of the bank.

45. LIQUIDITY RISK

Liquidity Risk Management

The objective is to establish standards for defining, measuring and reporting liquidity risk in order to ensure the transparency and comparability of liquidity risk-taking activities.

Liquidity risk is being monitored through:

A. Gap Analysis: Market Access Reporting (MAR)

Market Access Reporting is a key tool in monitoring the current liquidity position of the bank and it measures the 'gaps' over various time horizons, based on a business as usual assumption that asset levels remain constant. The Market Access Report ('MAR') quantifies the daily and cumulative gap in a business-as-usual environment. The gap for any given tenor bucket represents the borrowings from, or placements to, the markets (internal or external), required to replace maturing liabilities or assets. MAR Limits establish a boundary for how much incremental funding is appropriate, relative to the balance sheet size and market capacity.

B. Stress Scenario

Stress test is intended to quantify the likely impact of an event on the balance sheet and the net potential cumulative gap over a 3-month period, and to ascertain what incremental funding may be required under the defined stress scenario. The scenario is proposed by the Market Risk Management at a minimum on an annual basis.

Scope and nature of Risk Reporting

- It is the policy of the bank that the comprehensive set of liquidity risk data, generated through the businesses' risk-taking activities, is identified and communicated throughout the applicable business, Treasury, and Senior Management.

- It is the responsibility of the Market Risk Management to construct and maintain an independent liquidity risk-reporting framework that effectively, consistently and meaningfully communicates risks and risk appetite.

- The liquidity risk data and other data used to populate the independent liquidity risk reports should be from independent risk systems or other independent support systems (e.g., general ledger). If the information available in the independent systems is not sufficiently comprehensive, any other data used to populate the reports must be subject to a reconcilement process to ensure its integrity.

- It is the responsibility of the local Treasurer to ensure the completeness and integrity of the liquidity risk data, and that the data can be effectively reported into the independent risk systems.

- It is the responsibility of the Country ALCO, the Treasurer and the Responsible Market Risk Managers to assist in the quality control process by reviewing the reports for reasonableness, consistency and completeness.

Mitigating Liquidity risk and processes for continuous monitoring

The following tools are being used in order to monitor the liquidity risk

- Market Access Reports
- Stress Scenarios
- Liquidity Ratios
- Significant Funding Sources (Large Funds Providers)

46. MATURITIES OF ASSETS AND LIABILITIES

	2008									
	Total	upto one months	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 year	Over 2 to 3 year	Over 3 to 5 year	over 5 to 10 year	Above 10 year
	----------Rupees in '000----------									
Assets										
Cash and balances with treasury banks	774,575	774,575	-	-	-	-	-	-	-	-
Balances with other banks	331,201	331,201	-	-	-	-	-	-	-	-
Lendings to financial institutions	2,313,308	2,063,308	250,000	-	-	-	-	-	-	-
Investments - net	3,829,354	995,103	2,228,934	-	-	-	-	334,786	91,049	179,482
Advances - net	6,163,008	838,116	34,145	213,042	1,181,838	263,960	535,235	2,846,882	142,464	107,326
Operating fixed assets	1,157,689	13,011	25,692	38,111	113,462	137,275	92,759	108,969	139,267	489,143
Deferred tax assets	1,080,273	-	-	-	-	-	-	-	1,080,273	-
Other assets	837,928	171,735	32,956	45,368	69,230	109,969	26,310	20,705	361,655	-
	16,487,336	5,187,049	2,571,727	296,521	1,364,530	511,204	654,304	3,311,342	1,814,708	775,951
Liabilities										
Bills payable	55,349	55,349	-	-	-	-	-	-	-	-
Borrowings	437,949	191,613	-	224,000		-	-	-	22,336	-
Deposits and other accounts	9,859,537	4,239,739	3,123,557	667,001	1,197,413	296,481	316,366	18,980	-	-
Liabilities against assets subject to finance lease	420	-	420	-	-	-	-	-	-	-
Other liabilities	671,927	75,874	189,898	157,968	32,004	136,110	39,700	40,373	-	-
	11,025,182	4,562,575	3,313,875	1,048,969	1,229,417	432,591	356,066	59,353	22,336	-
Net assets	5,462,154	624,474	(742,148)	(752,448)	135,113	78,613	298,238	3,251,989	1,792,372	775,951

Represented by:	
Share capital	8,769,517
Reserves	43,080
Accumulated loss	(3,336,267)
	5,476,330
Deficit on revaluation of assets	(14,176)
	5,462,154

	2007									
	Total	upto one months	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 year	Over 2 to 3 year	Over 3 to 5 year	over 5 to 10 year	Above 10 year
	----------Rupees in '000----------									
Assets										
Cash and balances with treasury banks	1,003,611	1,003,611	-	-	-	-	-	-	-	-
Balances with other banks	63,348	63,348	-	-	-	-	-	-	-	-
Lendings to financial institutions	8,565,836	6,415,836	1,950,000	200,000	-	-	-	-	-	-
Investments - net	3,947,925	510,531	421,922	68,026	2,351,991	589	-	175,089	419,777	-
Advances - net	4,693,113	365,170	1,024,450	34,663	275,995	281,748	714,452	1,257,741	738,894	-
Operating fixed assets	854,292	7,087	14,154	20,922	39,597	66,271	49,538	63,103	95,979	497,641
Deferred tax assets	804,266	-	-	-	-	-	-	804,266	-	-
Other assets	722,911	119,974	27,090	42,386	54,820	79,079	50,802	348,760	-	-
	20,655,302	8,485,557	3,437,616	365,997	2,722,403	427,687	814,792	2,648,959	1,254,650	497,641

	2007									
	Total	upto one months	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 year	Over 2 to 3 year	Over 3 to 5 year	over 5 to 10 year	Above 10 year
	------------------------------Rupees in '000------------------------------									
Liabilities										
Bills payable	1,056,878	1,056,878	-	-	-	-	-	-	-	-
Borrowings	182,611	-	956	158,300	1,019	-	-	-	22,336	-
Deposits and other accounts	12,644,938	7,240,129	1,308,864	1,964,515	1,756,330	72,151	272,049	27,000	3,900	-
Liabilities against assets subject to finance lease	3,403	1,933	-	1,144	326	-	-	-	-	-
Other liabilities	565,314	60,204	126,648	9,000	111,779	69,785	60,000	119,844	8,054	-
	14,453,144	8,359,144	1,436,468	2,132,959	1,869,454	141,936	332,049	146,844	34,290	-
Net assets	6,202,158	126,413	2,001,148	(1,766,962)	852,949	285,751	482,743	2,502,115	1,220,360	497,641

Represented by:	
Share capital	8,769,517
Reserves	43,080
Accumulated loss	(2,593,956)
	6,218,641
Deficit on revaluation of assets	(16,483)
	6,202,158

Maturities of assets and liabilities reflect their carrying values at which these are reported in the balance sheet. The maturities of assets and liabilities having contractual maturities have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date. Assets and liabilities not having a contractual maturity are assumed to mature on the expected date of realisation / settlement.

47. OPERATIONAL RISK

Operational risk is the risk of direct or indirect loss due to an event or action resulting from the failure of technology, processes, infrastructure, personnel and other risks having an operational risk impact. The Bank seeks to ensure that key operational risk are managed in a timely and effective manner through a framework of policies, procedures and tools to identify, assess, monitor, control and report such risks.

Following are the strategic initiatives that the bank has undertaken for the effective implementation of Operational Risk Management:

A Controls and Operations Risk setup has been put in place with robust process to effectively manage the control processes and include Quality Assurance Reviews, Central Reconciliation, GL proofing and review, System audit to ensure product wise GL reconciliations and system parameters and users access maintenance and management. The framework and unit's role will be further enhanced by adopting Control and Operational Risk best practices of the banks parent company in the near future.

Operating Policy Manual and Standard Operating Procedures have been revamped and their control coverage made more effective.

The bank in October 2008 integrated the core banking platform of our parent, this would significantly strengthen the IT platform and help improve the processing capability and support effectiveness of Ops Risk framework.

The bank has also appointed a consultant and is in the process of implementing, subject to board's approval, internationally accepted Internal Control Framework published by the Committee Of Sponsoring Organization of the Treadway Commission (COSO) to consolidate and enhance the existing internal control processes, and to comply with the ICFR guidelines of SBP.

Risk awareness is promoted through regular communication to all relevant staff manning operating areas. Procedures are regularly reviewed to give an effective risk cover and bring about process efficiency.

The cutover and integration of core banking system with the banks parent company have strengthen the DRP capability of the bank's systems, however we are in the process of updating and developing a more robust BCP to incorporate Samba Financial Group's best practices and enhance its organization and coverage.

The bank is planning to implement a comprehensive compliance Risk Management Framework whereby Risk and Control Self Assessment (RCSA) is undertaken by each business/support unit to mitigate the risk of regularity non-compliance.

48. DATE OF AUTHORISATION FOR ISSUE

These financial statements were approved and authorised for issue on February 25, 2009 by the Board of Directors of the bank.

49. GENERAL

- Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilitate comparison. However, there are no material reclassifications to report.

- Figures have been rounded off to the nearest thousand rupees.

President and Chief Executive Officer	Chairman	Director	Director

Statement Showing Written-off Loans or any Other Financial Relief Provided

During the Year Ended December 31, 2008

Annexure-1

S. No.	Name and address of the borrower	Name of the individuals / partners / directors (with NIC number)	Father's / Husband's name	Outstanding liabilities at the beginning of the year				Interest / Principal written off	Other mark-up written off	Financial relief provided	Total
				Principal	Interest / mark-up	Others	Total				
				Rupees in '000							
1	Latif Shakir Textile Mills Ltd 111-Imperial Tower Maulvi Tamizuddin Road, Karachi	FAZAL UR REHMAN 42301-5751862-5 SYED MAZHAR HUSSAIN 33100-8260710-1 JAMAL UD DIN 42101-1828280-1 AMAN NASIR 42301-7124399-3	MOHAMMAD LATIF SYED TAJ MOHAMMAD JAFFER ALI SH. NASIR LATIF	16,314	-	-	16,314	13,814	-	-	13,814
2	Parks Pakistan (Pvt) Ltd 590 Z Phase III DHA Lahore Cantt	NUSRRAT KHALID 231-47-389793 MALIK KHALID KHAN 231-41-389792	MALIK KHALID KHAN MALIK MUHAMMAD SARWAR	3,761	-	-	3,761	1,261	-	39	1,300
3	Trust Modaraba 7-E, Egerton Road, Lahore	TAJAMMUL HUSSAIN 270-31-261081 MUHAMMAD FAZIL MIRZA 101-88-414930 MUHAMMAD YOUSAF 227-30-010796 SHAFIQ A. KHAN 270-44-184566 ARIF ALI SIDDIQUI 519-32-049362 IMTIAZ AHMED SHAH 265-63-115397	MIRZA ZAHUR AHMED MIRZA MOHAMMAD ISMAIL MIAN HAKIM ALI WAZIR AHMED KHAN MAQSOOD ALI SIDDIQUI HAJI MUSHTAQ AHMED	-	3,235	-	3,235	-	3,235	-	3,235
				20,075	3,235	-	23,310	15,075	3,235	39	18,349

Samba Bank Limited *(Formerly Crescent Commercial Bank Limited)*

Pattern of Holding of Shares

As at December 31, 2008

Number of Shareholders	Shareholding From	Shareholding To	Total Shares Held
1,071	1	100	52,252
2,078	101	500	599,659
961	501	1,000	718,173
1,481	1,001	5,000	3,234,456
289	5,001	10,000	2,143,642
96	10,001	15,000	1,191,578
56	15,001	20,000	1,008,722
37	20,001	25,000	844,037
27	25,001	30,000	741,764
18	30,001	35,000	585,979
15	35,001	40,000	565,411
9	40,001	45,000	389,525
23	45,001	50,000	1,124,654
9	50,001	55,000	469,728
5	55,001	60,000	291,743
4	60,001	65,000	251,255
5	65,001	70,000	328,576
8	70,001	75,000	584,039
4	75,001	80,000	313,600
4	80,001	85,000	334,767
3	85,001	90,000	259,312
4	90,001	95,000	367,372
7	95,001	100,000	691,982
3	105,001	110,000	324,730
2	110,001	115,000	228,898
1	120,001	125,000	125,000
3	125,001	130,000	384,003
2	135,001	140,000	273,750
2	140,001	145,000	285,378
1	145,001	150,000	148,250
1	150,001	155,000	154,000
2	155,001	160,000	311,983
3	160,001	165,000	483,310
1	170,001	175,000	175,000
3	180,001	185,000	542,741
1	185,001	190,000	185,395
3	195,001	200,000	595,360
1	210,001	215,000	212,500
1	220,001	225,000	221,825
1	225,001	230,000	225,245
1	235,001	240,000	238,637

Number of Shareholders	Shareholding From	Shareholding To	Total Shares Held
1	245,001	250,000	250,000
1	270,001	275,000	273,417
1	285,001	290,000	290,000
3	295,001	300,000	892,906
2	305,001	310,000	618,016
1	320,001	325,000	324,000
1	325,001	330,000	327,955
1	330,001	335,000	335,000
1	335,001	340,000	339,598
1	340,001	345,000	344,000
1	345,001	350,000	349,143
1	350,001	355,000	354,181
1	360,001	365,000	361,425
1	385,001	390,000	387,076
1	395,001	400,000	400,000
1	405,001	410,000	409,201
1	410,001	415,000	412,959
1	415,001	420,000	417,081
1	440,001	445,000	444,333
3	450,001	455,000	1,358,338
1	475,001	480,000	479,794
3	495,001	500,000	1,496,382
1	520,001	525,000	524,384
2	545,001	550,000	1,096,934
1	575,001	580,000	576,402
1	645,001	650,000	650,000
1	660,001	665,000	660,098
1	725,001	730,000	726,845
1	755,001	760,000	757,700
1	760,001	765,000	761,080
1	805,001	810,000	806,048
1	810,001	815,000	812,500
1	850,001	855,000	850,855
1	875,001	880,000	875,710
1	920,001	925,000	920,395
1	1,460,001	1,465,000	1,461,500
1	1,475,001	1,480,000	1,477,500
1	1,595,001	1,600,000	1,600,000
1	1,835,001	1,840,000	1,840,000
1	2,005,001	2,010,000	2,008,500
1	2,020,001	2,025,000	2,024,000
2	2,270,001	2,275,000	4,540,790

Number of Shareholders	Shareholding From	Shareholding To	Total Shares Held
1	2,360,001	2,365,000	2,363,000
1	2,480,001	2,485,000	2,480,342
1	2,630,001	2,635,000	2,631,973
1	2,995,001	3,000,000	2,998,445
1	4,495,001	4,500,000	4,496,250
1	4,525,001	4,530,000	4,529,333
1	4,530,001	4,535,000	4,533,500
1	4,670,001	4,675,000	4,674,971
1	6,255,001	6,260,000	6,257,956
1	6,730,001	6,735,000	6,730,113
1	11,620,001	11,625,000	11,625,000
1	12,025,001	12,030,000	12,027,740
1	12,150,001	12,155,000	12,151,599
1	12,285,001	12,290,000	12,287,500
1	20,650,001	20,655,000	20,652,000
1	21,170,001	21,175,000	21,170,161
1	22,675,001	22,680,000	22,676,625
1	27,745,001	27,750,000	27,750,000
1	36,870,001	36,875,000	36,870,890
1	599,995,001	600,000,000	600,000,000
6,317	**<--------------------Total**	**-------------------->**	**876,951,675**

Category of Shareholding

S.No.	Shareholders category	No. of shareholders	No. of shares	%
1	Directors, CEO and Their Spouses	3	130,500	0.01
2	Spouse / Relatives	1*	-	-
3	Executives	3	10,577	0.00
4	Associated Companies, Undertakings and Related Parties	4	606,757,515	69.19
5	NIT and ICP	6	24,234,254	2.76
6	Public Sector Companies and Corporations	1	4,674,971	0.53
7	Banks, Development Finance Institutions, Non-Banking Finance Institutions,	36	9,221,994	1.05
8	Insurance Companies	9	600,910	0.07
9	Modarabas and Mutual Funds	20	1,650,524	0.19
10	Other Companies	162	80,053,447	9.13
11	Non Resident	19	77,132,123	8.80
12	Individuals	6,054	72,484,860	8.27
	TOTALS	**6,317**	**876,951,675**	**100.00**

*Joint account

Samba Bank Limited *(Formerly Crescent Commercial Bank Limited)*

Information as required under Code of Corporate Governance

As at December 31, 2008

Shareholders' category	Number of shares held	Percentage
Directors, their Spouse and Minor Children		
Directors		
Mr. Mubashar Hanif Khokhar	500	0.00
Mr. Farhat Abbas Mirza	125,000	0.01
Mr. Javed Iqbal	5,000	0.00
Spouse and Minor Children		
Mrs. Najma Mirza W/o Mr. Farhat Abbas Mirza*	-	-
	130,500	0.01
* Joint account with Mr. Mirza		
Associated Companies, Undertakings and Related Parties		
Asian Stock Fund Limited	499,559	0.06
Crescent Steel and Allied Products Ltd.	6,257,956	0.71
Samba Financial Group	600,000,000	68.42
	606,757,515	69.19
NIT and ICP (Name wise Detail)		
M/S. National Bank of Pakistan - Trustee Deptt.	12,072,591	1.38
NBP - Trustee - NI (U) T (NOC) Fund	12,151,599	1.39
M/S. Investment Corporation of Pakistan	10,064	0.00
	24,234,254	2.76
Banks, Development Finance Institutions, Non-Banking Finance Institutions	9,221,994	1.05
Public Sector Companies	4,674,971	0.53
Insurance Companies	600,910	0.07
Modarabas and Mutual Funds	1,650,524	0.19
Other Companies	80,053,447	9.13
Non-Resident	77,132,123	8.80
General Public	72,495,437	8.27
	876,951,675	100.00
Shareholders holding 10% or more voting interest		
Samba Financial Group	600,000,000	68.42

samba سامبا

Samba Bank Limited *(Formerly Crescent Commercial Bank Limited)*

Form of Proxy

6th Annual General Meeting

I / We, ________________________________of ________________________ being member(s) of Samba Bank Limited (formerly Crescent Commercial Bank Limited) holding ___________ordinary shares hereby appoint ____________________ of ______________________ or failing him / her ____________________ of ______________________ who is / are also member(s) of Samba Bank Limited (formerly Crescent Commercial Bank Limited) as my / our proxy in my / our absence to attend and vote for me / us and on my / our behalf at the Annual General Meeting of the Bank to be held on March 30, 2009 and at any adjournment thereof.

As witness my / our hand / seal this ________day of ________ 2009.

Signed by the said ______________________________

in the presence of 1. __________________________

____

2. __________________________

____

Folio / CDC Account No.

Please affix here Revenue Stamp of Rs.5/-

This signature should agree with the specimen registered with the Bank.

Important:

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Bank, 6th Floor, Sidco Avenue Centre, Maulana Deen Muhammad Wafai Road, Karachi, not less than 48 hours before the time of holding the meeting.
2. No person shall act as proxy unless he himself is a member of the Company, except that a corporation may appoint a person who is not a member.
3. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

For CDC Account Holders / Corporate Entities:

In addition to the above the following requirements have to be met:

i) The proxy form shall be witnessed by the persons whose names, addresses and NIC numbers shall be mentioned on the form.

ii) Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

iii) The proxy shall produce his original NIC or original passport at the time of the meeting.

iv) 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) alongwith proxy form to the company.

AFFIX
CORRECT
POSTAGE

The Company Secretary

Samba Bank Limited

(formerly Crescent Commercial Bank Limited)

6th Floor, Sidco Avenue Centre,
Maulana Deen Muhammad Wafai Road,
Karachi.

Samba Bank Limited *(Formerly Crescent Commercial Bank Limited)*

ADMISSION SLIP

The Sixth General Meeting of Samba Bank Limited (formerly Crescent Commercial Bank Limited) will be held on March 30, 2009 at 02:00 p.m. at Hotel Beach Luxury, Karachi.

Kindly bring this slip duly signed by you for attending the Meeting.

Company Secretary

Name____

Folio No. / CDC I.D________________________ Signature ________________________

No. of Shares held____

Note:

i) The signature of the shareholder must tally with the specimen signature on the Company's record.

ii) Shareholders are requested to hand over duly completed admission slips at the counter before entering the Meeting premises.

CDC Account Holders / Proxies / Corporate Entities:

a) The CDC Account Holder / Proxy shall authenticate his identity by showing his original National Identity Card (NIC) or original passport at the time of attending the Meeting.

b) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced at the time of the Meeting (unless it has been provided earlier).

This Admission Slip is Not Transferable