

PROGRESSION

20
QUARTERLY REPORT
SEPTEMBER 30
08

samba  سامبا
Samba Bank Limited
(formerly Crescent Commercial Bank Limited)

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| | |
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Board of Directors

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

Audit Committee

Mr. Javed Iqbal (Chairman Audit Committee)
Mr. Beji Tak - Tak
Mr. Zahid Zaheer*

Board Credit Committee

Mr. Tawfiq A Hussain
Mr. Syed Sajjad Razvi
Mr. Beji Tak - Tak
Mr. Zahid Zaheer*

President & Chief Executive Officer

Mr. Tawfiq A Husain

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,
Maulana Deen Mohammad Wafai Road,
Karachi.

Share Registrar

Ferguson Associates (Pvt.) Limited
4th Floor, State Life Building No. 2-A,
I.I. Chundrigar Road,
Karachi - 74000.

* w.e.f. August 28, 2008.

DIRECTORS REVIEW

for the Period Ended September 30, 2008

On behalf of the Board of Directors, we are presenting the financial results of Samba Bank Limited (Samba) nine months ended September 30, 2008.

Financial Highlights

Loss before taxation
 Loss after taxation
 Earning per share - Rs.

| Nine months ended Sep. 30 | |
|---------------------------|----------------------|
| 2008 | 2007 (Restated) |
| (Rupees in million) | |
| 470 | 610 |
| 333 | 558 |
| (0.38) | (0.82) |
| September 30, 2008 | December 31, 2007 |
| (Rupees in million) | |
| 18,011 | 20,655 |
| 8,392 | 7,105 |
| 9,287 | 12,645 |
| 5,886 | 6,219 |
| (39) | (16) |

Total assets
 Gross advances
 Total deposits
 Paid-up capital & reserves (before revaluation reserves)
 (Deficit)/Surplus on revaluation of securities

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 from October 20, 2008. The re-branded bank is a subsidiary of Samba Financial Group, Saudi Arabia and is incorporated in Pakistan.

Samba Financial Group is the leading bank in Saudi Arabia having total assets of approximately \$48 billion and equity base of around \$4.8 billion in early 2008.

DIRECTORS REVIEW

for the Period Ended September 30, 2008

Review of Operations

In line with the strategic direction set by the management and the Board, loan book (net of provisions) of your bank grew to Rs. 6 billion, registering an increase of 28% over December 2007 and 70% when compared to the corresponding period of 2007. The management early in the year took a conscious decision of shedding high cost deposits. This coupled with prevailing market conditions vis-à-vis banking sector's depleting deposit base and tight liquidity in the market resulted in the deposit base reducing to Rs 9.3 billion from Rs 12.6 billion in December 2007. The management remained focused in its efforts to mobilize stable deposits in order to develop core deposit base and to effectively manage the cost of deposits consistent with the branch banking plan of the bank. This strategy will provide long term sustainability to the liquidity of the bank where most of the other banks are facing an uphill task in managing liquidity and its associated costs.

The strategic priorities of the management is translating into steady improvement in the business performance of your bank where losses before taxes have reduced to Rs. 470 million or 23% over the corresponding period of last year. The major improvements were registered in net interest income and reduction in provisioning, albeit increase in net credit losses in consumer assets.

Your bank continues to invest in infrastructure, information technology, branches and human capital to ensure quality and efficient delivery of services to our customers. These investments are based on our longer term strategy and will provide financial returns in the medium term.

Outlook

With clear strategic priorities of the management and the support of the parent, your bank will continue to grow, especially with re-branding, integration and expansion plans. At the same time, investments in systems, improvements in policies and procedures framework and retention of intellectual capital will ensure medium and long term growth of the bank

Rating

The strong Samba franchise value and as well as the transfer of expertise, IT systems, processes, and products by our parent enabled the bank retain its rating of A (single A) and the short term rating of A-1 (A-One) by JCR VIS Credit Rating Company. The long term rating reflects adequate credit quality with reasonable protection while the short term rating reflects obligations supported by good certainty of timely payments, sound company fundamentals and improving liquidity.

DIRECTORS REVIEW
for the Period Ended September 30, 2008

Acknowledgment

On behalf of the Board of Directors, I take this opportunity to thank our valued customers for their patronage; our employees for their hard work and continued commitment; our shareholders for their trust; and State Bank of Pakistan and other regulatory bodies for their continued guidance and support.

On behalf of the Board

Tawfiq A Husain
President and Chief Executive

Karachi
October 25, 2008

**Condensed Interim
Balance Sheet**
As at September 30, 2008

ASSETS

Cash and balances with treasury banks
Balances with other banks
Lendings to financial institutions
Investments - net
Advances - net
Operating fixed assets
Deferred tax asset - net
Other assets

LIABILITIES

Bills payable
Borrowings
Deposits and other accounts
Sub-ordinated loans
Liabilities against assets subject to finance lease
Deferred tax liabilities
Other liabilities

NET ASSETS

REPRESENTED BY:

Share capital
Reserves
Accumulated loss

Deficit on revaluation of assets - net of tax

CONTINGENCIES AND COMMITMENTS

| | | (Un-audited) September 30, 2008 | December 31, 2007 |
|----|--|---------------------------------------|----------------------|
| | | (Rupees in '000) | |
| | | 928,962 | 1,003,611 |
| | | 70,884 | 63,348 |
| 6 | | 5,543,301 | 8,565,836 |
| 7 | | 2,565,767 | 3,947,925 |
| 8 | | 6,032,060 | 4,693,113 |
| | | 1,093,996 | 854,292 |
| 9 | | 947,948 | 804,266 |
| | | 827,767 | 722,911 |
| | | 18,010,685 | 20,655,302 |
| | | 74,643 | 1,056,878 |
| 10 | | 2,227,222 | 182,611 |
| 11 | | 9,286,872 | 12,644,938 |
| | | - | - |
| | | 420 | 3,403 |
| | | - | - |
| | | 574,711 | 565,314 |
| | | 12,163,868 | 14,453,144 |
| | | 5,846,817 | 6,202,158 |
| | | 8,769,517 | 8,769,517 |
| | | 43,080 | 43,080 |
| | | (2,926,531) | (2,593,956) |
| | | 5,886,066 | 6,218,641 |
| | | (39,249) | (16,483) |
| | | 5,846,817 | 6,202,158 |

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The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

President & CEO

Chairman

Director

Director

**Condensed Interim
Profit And Loss
Account (Un-audited)**
For The Nine Months Period
Ended September 30, 2008

| | |
|---------------------------------------------------------|----|
| Mark-up / return / interest earned | 14 |
| Mark-up / return / interest expensed | 15 |
| Net mark-up / return / interest income | |
| Provision against loans and advances - net | |
| (Provision) / reversal of provision for diminution | |
| in the value of investments - net | |
| Bad debts written-off directly | |
| Net mark-up / return / interest income after provisions | |
| Non mark-up / interest income | |
| Fee, commission and brokerage income | |
| Dividend income | |
| Income from dealing in foreign currencies | |
| Gain on sale of securities | |
| Unrealised gain on revaluation of investments | |
| classified as held for trading | |
| Other income | |
| Total non mark-up / interest income | |
| Non mark-up / interest expenses | |
| Administrative expenses | |
| Other provisions / write offs- net | |
| Other charges | |
| Total non mark-up / interest expenses | |
| Extraordinary items | |
| Loss before taxation | |
| Taxation - Current year | |
| - Prior years | |
| - Deferred | |
| Loss after taxation | |
| Accumulated loss brought forward | |
| Share Issue cost | |
| Accumulated loss carried forward | |
| Loss per share (Rupees) | |

| Notes | Quarter ended Sep 30, 2008 | Quarter ended Sep 30, 2007 (Restated) | Nine Months ended Sep 30, 2008 | Nine Months ended Sep 30, 2007 (Restated) |
|-------|-------------------------------|---------------------------------------------|-----------------------------------|-------------------------------------------------|
| | (Rupees in '000) | | | |
| | 474,651 | 371,602 | 1,316,277 | 774,016 |
| | (298,816) | (240,746) | (795,805) | (583,985) |
| | 175,835 | 130,856 | 520,472 | 190,031 |
| | (87,787) | (140,443) | (133,642) | (245,028) |
| | 688 | (4,431) | 946 | (4,431) |
| | - | 678 | - | - |
| | (87,099) | (144,196) | (132,696) | (249,459) |
| | 88,736 | (13,340) | 387,776 | (59,428) |
| | 7,066 | 10,362 | 25,265 | 20,013 |
| | - | 6,400 | 8,169 | 16,741 |
| | 9,148 | 1,356 | 15,086 | 4,036 |
| | 173 | 4,495 | 5,359 | 70,648 |
| | (73) | - | - | - |
| | 9,139 | 5,946 | 43,909 | 15,512 |
| | 25,453 | 28,559 | 97,788 | 126,950 |
| | 114,189 | 15,219 | 485,564 | 67,522 |
| | (344,238) | (243,503) | (965,491) | (663,275) |
| | 10,026 | (14,550) | 10,064 | (13,414) |
| | (82) | - | (148) | (632) |
| | (334,294) | (258,053) | (955,575) | (677,321) |
| | (220,105) | (242,834) | (470,011) | (609,799) |
| | (220,105) | (242,834) | (470,011) | (609,799) |
| | - | (4,995) | - | (8,000) |
| | - | - | - | - |
| | 15,582 | 59,837 | 137,436 | 59,837 |
| | 15,582 | 54,842 | 137,436 | 51,837 |
| | (204,523) | (187,992) | (332,575) | (557,962) |
| | (2,722,008) | (1,641,034) | (2,593,956) | (1,220,064) |
| | - | - | - | (51,000) |
| | (2,926,531) | (1,829,026) | (2,926,531) | (1,829,026) |
| | (0.23) | (0.21) | (0.38) | (0.82) |

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

President & CEO

Chairman

Director

Director

**Condensed Interim
Cash Flow Statement
(Un-audited)**
For The Nine Months
Period Ended
September 30, 2008

CASH FLOW FROM OPERATING ACTIVITIES

Loss before taxation
Dividend income

Adjustments for non-cash and other items:

Depreciation
Amortization of intangible assets
Provision against loans and advances -net
Reversal of provision for diminution in the value of investments - net
Finance charges on leased assets
Gain on sale of operating fixed assets
Gain on sale of securities
Other provisions / reversal of provision against other assets

(Increase) / decrease in operating assets

Lendings to financial institutions
Advances - net
Others assets (excluding advance taxation)

Increase/ (decrease) in operating liabilities

Bills payable
Borrowings from financial institutions/others
Deposits and other accounts
Other liabilities (excluding current taxation)

Income tax refunds / (paid) - net

Net cash used in operating activities

CASH FLOW FROM INVESTING ACTIVITIES

Net investments in securities
Dividend received
Investment in operating fixed assets
Sale proceeds of property and equipment disposed-off
Net cash inflow from / (outflow on) investing activities

CASH FLOW FROM FINANCING ACTIVITIES

Payments of lease obligations
Proceeds from issue of shares
Share Issuance cost

Net cash (outflow) on / inflow from financing activities

(Decrease) / increase in cash and cash equivalents

Cash and cash equivalents at beginning of the period

Cash and cash equivalents at end of the period

Cash and cash equivalents

Cash and balances with treasury banks
Balances with other banks

| September 30, 2008 | September 30, 2007 (Restated) |
|-----------------------|-------------------------------------|
| (Rupees in '000) | |
| (470,011) | (609,799) |
| (8,169) | (16,741) |
| (478,180) | (626,540) |
| 75,278 | 58,155 |
| 4,811 | 4,204 |
| 133,642 | 245,028 |
| (946) | 4,431 |
| 893 | 310 |
| (1,591) | (1,784) |
| (5,359) | (70,648) |
| (38) | 13,414 |
| 206,690 | 253,110 |
| (271,490) | (373,430) |
| 3,022,535 | (7,820,470) |
| (1,472,589) | (1,387,825) |
| (102,625) | (102,369) |
| 1,447,321 | (9,310,664) |
| (982,235) | 38,425 |
| 2,044,611 | (157,307) |
| (3,358,066) | 5,529,976 |
| 9,397 | 44,002 |
| (2,286,293) | 5,455,096 |
| (1,110,462) | (4,228,998) |
| (2,193) | 59,269 |
| (1,112,655) | (4,169,729) |
| 1,359,450 | (1,642,795) |
| 8,169 | 16,741 |
| (324,278) | (65,737) |
| 6,077 | 3,546 |
| 1,049,418 | (1,688,245) |
| (3,876) | (3,828) |
| - | 6,000,000 |
| - | (51,000) |
| (3,876) | 5,945,172 |
| (67,113) | 87,198 |
| 1,066,959 | 914,818 |
| 999,846 | 1,002,016 |
| 928,962 | 874,969 |
| 70,884 | 127,047 |
| 999,846 | 1,002,016 |

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

President & CEO

Chairman

Director

Director

**Condensed Interim
Statement of Changes
In Equity (Un-audited)**
For The Nine Months
Period Ended
September 30, 2008

| | Share capital | Capital reserve | Statutory reserve | Revenue reserve | (Accumulat -ed loss) | Total |
|----------------------------------------------------------------|------------------------------|--------------------|----------------------|--------------------|-------------------------|------------------|
| | ----- (Rupees in '000) ----- | | | | | |
| Balance as at January 01, 2007 | 2,769,517 | 20,935 | 22,145 | - | (1,220,064) | 1,592,533 |
| Issuance of share capital | 6,000,000 | - | - | - | - | 6,000,000 |
| Share issue cost | - | - | - | - | (51,000) | (51,000) |
| Loss after taxation for the period ended September 30, 2007 | - | - | - | - | (557,962) | (557,962) |
| Balance as at September 30, 2007 | 8,769,517 | 20,935 | 22,145 | - | (1,829,026) | 6,983,571 |
| Loss after taxation for the quarter ended December 31, 2007 | - | - | - | - | (764,930) | (764,930) |
| Balance as at December 31, 2007 | 8,769,517 | 20,935 | 22,145 | - | (2,593,956) | 6,218,641 |
| Loss after taxation for the period ended September 30, 2008 | - | - | - | - | (332,575) | (332,575) |
| Balance as at September 30, 2008 | 8,769,517 | 20,935 | 22,145 | - | (2,926,531) | 5,886,066 |

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

President & CEO

Chairman

Director

Director

Notes to and Forming Part of the Condensed Interim Financial Statements (Un-audited) For The Nine Months Period Ended September 30, 2008

1 STATUS AND NATURE OF BUSINESS

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 stock exchanges in 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.

Subsequent to the period ended September 30, 2008, the bank has changed its name from Crescent Commercial Bank Limited to Samba Bank Limited. The change of name was approved by the shareholders of the bank in their extraordinary general meeting held on September 6, 2008.

The change of name has been approved by the State Bank of Pakistan through its notification no. BPRD (CGD-02/131.03(4)/2008/7315, dated October 04, 2008, where the new name is effective from October 20, 2008. The certificate of change of name to this effect has also been issued by the Securities and Exchange Commission of Pakistan 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 condensed interim 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 condensed interim 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, the Banking Companies Ordinance, 1962 or the directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. Wherever the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the requirements of the said directives prevail.

Notes to and Forming Part of the Condensed Interim Financial Statements (Un-audited) For The Nine Months Period Ended September 30, 2008

- (b) The State Bank of Pakistan 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. Accordingly, the requirements of these standards have not been considered in the preparation of these condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.
- (c) The disclosures made in these condensed interim financial statements have, however been limited based on the format prescribed by the State Bank of Pakistan vide BSD Circular Letter No. 2 dated May 12, 2004 and International Accounting Standard 34, Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of the bank for the year ended December 31, 2007.

4 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except that certain investments and commitments in respect of certain forward exchange contracts have been marked to market and are carried at fair value.

5 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the bank for the year ended December 31, 2007.

6 LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings
Repurchase agreement lendings (reverse repo)
Lending to DFIs / overseas bank - USD

| September 30, 2008 | December 31, 2007 |
|-----------------------|----------------------|
| (Rupees in '000) | |
| 2,700,000 | 4,250,000 |
| 2,749,495 | 4,287,936 |
| 93,806 | 27,900 |
| 5,543,301 | 8,565,836 |

Notes to and Forming Part of the Condensed Interim Financial Statements (Un-audited)
For The Nine Months Period Ended September 30, 2008

| | | September 30, 2008 | | | December 31, 2007 | | |
|------------------------------------------------------------|--------------|---------------------|-----------|--------------|---------------------|-------|-----------|
| Note | Held by Bank | Given as collateral | Total | Held by Bank | Given as collateral | Total | |
| -----Rupees in '000----- | | | | | | | |
| 7 INVESTMENTS - net | | | | | | | |
| Available for sale securities | 7.1 | 841,852 | 1,379,736 | 2,221,588 | 3,333,152 | - | 3,333,152 |
| Held to maturity securities | 7.2 | 325,957 | - | 325,957 | 590,643 | - | 590,643 |
| Associates / Associated companies | 7.3 | 371,470 | - | 371,470 | 371,470 | - | 371,470 |
| Investments as book value | | 1,539,279 | 1,379,736 | 2,919,015 | 4,295,265 | - | 4,295,265 |
| Less: Provision for diminution in the value of investments | | (306,380) | - | (306,380) | (329,483) | - | (329,483) |
| Investments (net of provisions) | | 1,232,899 | 1,379,736 | 2,612,635 | 3,965,782 | - | 3,965,782 |
| Deficit on revaluation of available for sale securities | | (42,391) | (4,477) | (46,868) | (17,857) | - | (17,857) |
| Total investments-net | | 1,190,508 | 1,375,259 | 2,565,767 | 3,947,925 | - | 3,947,925 |
| 7.1 Available-for-sale securities | | | | | | | |
| Market Treasury Bills | | 498,973 | 1,379,736 | 1,878,709 | 2,943,990 | - | 2,943,990 |
| Pakistan Investment Bonds | | 113,121 | - | 113,121 | 90,253 | - | 90,253 |
| WAPDA Bonds | | - | - | - | 63,215 | - | 63,215 |
| Sukuk Bonds | | 10,000 | - | 10,000 | - | - | - |
| Term Finance Certificates - listed | | 10,642 | - | 10,642 | 22,811 | - | 22,811 |
| Ordinary shares and certificates - listed | | 123,706 | - | 123,706 | 120,968 | - | 120,968 |
| Ordinary shares - unlisted | | 65,410 | - | 65,410 | 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 |
| | | 841,852 | 1,379,736 | 2,221,588 | 3,333,152 | - | 3,333,152 |
| 7.2 Held-to-maturity securities | | | | | | | |
| Pakistan Investment Bonds | | 325,957 | - | 325,957 | 329,244 | - | 329,244 |
| Term Finance Certificates - unlisted | | - | - | - | 261,399 | - | 261,399 |
| | | 325,957 | - | 325,957 | 590,643 | - | 590,643 |
| 7.3 Associates / Associated companies | | | | | | | |
| Ordinary shares - listed | | 371,470 | - | 371,470 | 371,470 | - | 371,470 |

Notes to and Forming Part of the Condensed Interim Financial Statements (Un-audited)

For The Nine Months Period Ended September 30, 2008

| | Note | September 30, 2008 | December 31, 2007 |
|----------------------------------------------------------------------|------|-----------------------|----------------------|
| | | (Rupees in '000) | |
| 8 ADVANCES - NET | | | |
| Loans, cash credits, running finances, etc | | | |
| - In Pakistan | | 7,529,397 | 6,092,646 |
| Net Investment in finance lease | | | |
| - In Pakistan | | 728,824 | 878,848 |
| Bills discounted and purchased (excluding treasury bills) | | | |
| - Payable in Pakistan | | 133,944 | 133,944 |
| | | 8,392,165 | 7,105,438 |
| Less: Provision for loans and advances | | | |
| - Specific provision | 8.1 | (2,230,361) | (2,292,023) |
| - General provision | 8.2 | (129,744) | (120,302) |
| | | (2,360,105) | (2,412,325) |
| | | 6,032,060 | 4,693,113 |

8.1 Advances include Rs 1,879.289 million (December 31, 2007 : Rs 1,872.496 million) which have been placed under non-performing status and Rs 533.161 Million (December 31, 2007: Rs 538.501 million) placed under the special mention category as detailed below:

| Category of Classification | September 30, 2008 | | | | |
|----------------------------|--------------------|----------|------------------|--------------------|------------------|
| | Domestic | Overseas | Total | Provision required | Provision held |
| -----Rupees in '000----- | | | | | |
| Substandard | 177,669 | - | 177,669 | 47,807 | 47,807 |
| Doubtful | 1,906 | - | 1,906 | 963 | 963 |
| Loss | 1,699,714 | - | 1,699,714 | 1,648,430 | 1,648,430 |
| | 1,879,289 | - | 1,879,289 | 1,697,200 | 1,697,200 |
| Special Mention Category | 533,161 | - | 533,161 | 533,161 | 533,161 |
| | <u>2,412,450</u> | <u>-</u> | <u>2,412,450</u> | <u>2,230,361</u> | <u>2,230,361</u> |

8.2 General provision includes a provision amounting to Rs. 119.992 million (December 31, 2007: Rs 115.493 million) against consumer financing portfolio as required by the Prudential Regulations issued by the SBP. General provision also includes a provision of Rs 9.752 million (December 31, 2007: 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 best estimate.

9 DEFERRED TAX ASSETS - net

Taxable temporary differences

Accelerated tax depreciation
Net investment in finance lease
Assets subject to finance lease

Deductible temporary difference

Recognised tax losses
Provision against loans & advances, investments and other assets
Assets subject to finance lease
Deficit on revaluation of securities
Others

Note

9.1

| September 30, 2008 | December 31, 2007 |
|-----------------------|----------------------|
| (Rupees in '000) | |
| (48,315) | (28,467) |
| (118,414) | (154,747) |
| (432) | - |
| 338,127 | 231,472 |
| 769,065 | 753,076 |
| - | 70 |
| 7,619 | 1,374 |
| 298 | 1,488 |
| 947,948 | 804,266 |

9.1 The bank has an aggregate amount of Rs. 3,412 million in respect of unabsorbed tax losses as at September 30, 2008. Out of this amount the management has recognized deferred tax debit balance on losses amounting to Rs. 966 million. This represents the management's best estimate of the probable benefit expected to be realized 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.

10 BORROWINGS

Secured

From the State Bank of Pakistan under export refinance scheme
World Bank
Repurchase agreement borrowings

Unsecured

Bankers Equity Limited (under liquidation)

| September 30, 2008 | December 31, 2007 |
|-----------------------|----------------------|
| (Rupees in '000) | |
| 156,800 | 156,800 |
| 1,245 | 3,475 |
| 2,046,841 | - |
| 2,204,886 | 160,275 |
| 22,336 | 22,336 |
| <u>2,227,222</u> | <u>182,611</u> |

Notes to and Forming Part of the Condensed Interim Financial Statements (Un-audited) For The Nine Months Period Ended September 30, 2008

11 DEPOSITS AND OTHER ACCOUNTS

Customers

| | | |
|-------------------------------------|------------------|-------------------|
| Fixed deposits | 6,658,996 | 6,922,165 |
| Savings deposits | 1,384,348 | 3,135,218 |
| Current accounts - non-remunerative | 933,692 | 1,666,407 |
| Others - non-remunerative | 47,245 | 23,290 |
| | 9,024,281 | 11,747,080 |

Financial Institutions

| | | |
|---------------------------|------------------|-------------------|
| Remunerative deposits | 229,647 | 867,745 |
| Non-remunerative deposits | 32,944 | 30,113 |
| | 262,591 | 897,858 |
| | 9,286,872 | 12,644,938 |

12 CONTINGENCIES AND COMMITMENTS

12.1 Direct credit substitutes

| | | |
|--------------------------------------------|------------------|------------------|
| Favouring government | 800,000 | - |
| Favouring banks and financial institutions | 207,488 | 155,450 |
| Favouring others | 1,445,888 | 1,559,300 |
| | 2,453,376 | 1,714,750 |

12.2 Transaction-related contingent liabilities /commitments

| | | |
|----------------------------------|----------------|----------------|
| Guarantees in favour of: | | |
| Government | 371,802 | 374,012 |
| Banks and financial institutions | - | - |
| Others | 144 | 235 |
| | 371,946 | 374,247 |

12.3 Trade-related contingent liabilities

| | | |
|--------------------------------------------|------------------|------------|
| Favouring banks and financial institutions | - | - |
| Favouring others | 5,057,679 | 654 |
| | 5,057,679 | 654 |

| September 30, 2008 | December 31, 2007 |
|-----------------------|----------------------|
| (Rupees in '000) | |
| 6,658,996 | 6,922,165 |
| 1,384,348 | 3,135,218 |
| 933,692 | 1,666,407 |
| 47,245 | 23,290 |
| 9,024,281 | 11,747,080 |
| 229,647 | 867,745 |
| 32,944 | 30,113 |
| 262,591 | 897,858 |
| 9,286,872 | 12,644,938 |
| 800,000 | - |
| 207,488 | 155,450 |
| 1,445,888 | 1,559,300 |
| 2,453,376 | 1,714,750 |
| 371,802 | 374,012 |
| - | - |
| 144 | 235 |
| 371,946 | 374,247 |
| - | - |
| 5,057,679 | 654 |
| 5,057,679 | 654 |

Notes to and Forming Part of the Condensed Interim Financial Statements (Un-audited)

For The Nine Months Period Ended September 30, 2008

12.4 Contingencies in respect of taxation

The Income tax department has raised a 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 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 appeal in respect of the remaining assessment years are currently pending. Based on the professional advice received from their 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.

12.5 Commitments in respect of forward lending

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

12.6 Commitments in respect of forward foreign exchange contracts

Purchase

Sale

| September 30, 2008 | December 31, 2007 |
|-----------------------|----------------------|
| (Rupees in '000) | |
| 974,495 | 184,080 |
| 663,525 | - |

12.7 Capital Commitments

Commitments for capital expenditure as at September 30, 2008 amounted to Rs. 37.398 million (December 31, 2007: Rs. 68.39 million).

Notes to and Forming Part of the Condensed Interim Financial Statements (Un-audited) For The Nine Months Period Ended September 30, 2008

13 LOSS PER SHARE - Basic & Diluted

Loss after taxation attributable to ordinary shareholders

Weighted average number of shares outstanding during the period

Loss per share - Basic & diluted

| Nine Months Ended September 30, 2008 | Nine Months Ended September 30, 2007 (Restated) |
|--------------------------------------------|----------------------------------------------------------|
| (Rupees in '000) | |
| <u>(332,575)</u> | <u>(557,962)</u> |
| Number of Shares | |
| <u>876,951,675</u> | <u>682,834,053</u> |
| (Rupees) | |
| <u>(0.38)</u> | <u>(0.82)</u> |

- 13.1 A diluted loss per share has not been presented as the bank does not have any convertible instruments in issue at September 30, 2008 and 2007 which would have any effect on the loss per share if the option to convert is exercised.

14 MARK-UP / RETURN / INTEREST EARNED

On loans and advances to :

Customers & Financial Institutions

On investments in:

Government securities

TFCs, Debentures, Bonds and PTCs etc.

On deposits with financial institutions

On securities purchased under resale agreements

On call lendings

| September 30, 2008 | September 30, 2007 |
|-------------------------|-----------------------|
| (Rupees in '000) | |
| 619,382 | 225,802 |
| 221,639 | 227,542 |
| 6,693 | 20,491 |
| 1,755 | 3,453 |
| 249,521 | 103,542 |
| 217,287 | 193,186 |
| <u>1,316,277</u> | <u>774,016</u> |

Notes to and Forming Part of the Condensed Interim Financial Statements (Un-audited)

For The Nine Months Period Ended September 30, 2008

15 MARK-UP / RETURN / INTEREST EXPENSED

Deposits
Securities sold under repurchase agreements
Short-term and long term borrowings
SBP export re-finance
Others

| September 30, 2008 | September 30, 2007 |
|-----------------------|-----------------------|
| (Rupees in '000) | |
| 668,593 | 566,300 |
| 117,886 | 4,328 |
| 731 | 1,093 |
| 7,352 | 11,660 |
| 1,243 | 604 |
| 795,805 | 583,985 |

16 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 executives are determined in accordance with the terms of their employment.

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

Notes to and Forming Part of the Condensed Interim Financial Statements (Un-audited) For The Nine Months Period Ended September 30, 2008

Details of transactions with related parties are given below:

| | September 30, 2008 | | | December 31, 2007 | | |
|-----------------------------------------------------------------|--------------------------------|---------------|--------------|--------------------------------|---------------|---------------|
| | Key management personnel | Associates | Others | Key management personnel | Associates | Others |
| | -----Rupees in '000----- | | | | | |
| BALANCE OUTSTANDING - GROSS | | | | | | |
| Advances | | | | | | |
| At January 01 | 45,701 | 45,500 | - | 14,890 | 55,617 | - |
| Given during the period | 28,679 | - | - | 42,230 | - | - |
| Repaid during the period | (13,151) | - | - | (3,038) | (10,117) | - |
| Adjustments | (12,923) | - | - | (8,381) | - | - |
| At September 30 / December 31 | <u>48,306</u> | <u>45,500</u> | <u>-</u> | <u>45,701</u> | <u>45,500</u> | <u>-</u> |
| Provision held against advances | - | 45,500 | - | - | 45,500 | - |
| Deposits | | | | | | |
| At January 01 | 24,405 | 14,443 | 15,288 | 15,499 | 34,921 | - |
| Received during the period | 240,577 | 140,962 | 31,928 | 161,719 | 181,770 | 26,860 |
| Withdrawn during the period | (196,076) | (131,666) | (40,614) | (148,831) | (165,122) | (11,572) |
| Adjustments | (7,109) | (1,363) | - | (3,982) | (37,126) | - |
| At September 30 / December 31 | <u>61,798</u> | <u>22,377</u> | <u>6,603</u> | <u>24,405</u> | <u>14,443</u> | <u>15,288</u> |
| Others | | | | | | |
| Guarantees | - | 42,196 | - | - | 3,733 | - |
| Investment in shares | - | 371,470 | - | - | 371,470 | - |
| Sundry receivables | - | 32,791 | - | - | 2,224 | - |
| Balances in vostro accounts | - | 6,727 | - | - | 492 | - |
| Provision against diminution in the value of investments | - | 196,383 | - | - | 196,383 | - |

Notes to and Forming Part of the Condensed Interim Financial Statements (Un-audited)
For The Nine Months Period Ended September 30, 2008

| | January-September 2008 | | | January-September 2007 | | |
|---------------------------------------|--------------------------|------------|--------|--------------------------|------------|--------|
| | Key management personnel | Associates | Others | Key management personnel | Associates | Others |
| | -----Rupees in '000----- | | | | | |
| Transactions during the period | | | | | | |
| Remuneration and benefits | 109,367 | - | - | 93,177 | - | - |
| Directors fee | 3,260 | - | - | 95 | - | - |
| Commission on guarantee issued | - | 318 | - | - | - | - |
| Letters of guarantee issued | - | 38,463 | - | - | - | - |
| Mark-up / return / interest expensed | 1,740 | 368 | 600 | 290 | 30 | 120 |
| Mark-up / return / interest income | 1,767 | - | - | 475 | 33 | - |
| Disposal of fixed assets | 459 | - | - | 569 | - | - |

17 BUSINESS SEGMENTS

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

| | For the nine months period ended September 30, 2008 (Un-audited) | | | | |
|-------------------------------------------------------|------------------------------------------------------------------|-----------------|----------------|--------------------|-----------|
| Particulars | Corporate finance | Trading & sales | Retail banking | Commercial banking | Total |
| | ----- (Rupees in '000) ----- | | | | |
| Total income (net of interest expense and provisions) | - | 195,711 | 22,630 | 277,287 | 495,628 |
| Total operating expenses | 11,728 | 129,110 | 633,218 | 191,583 | 965,639 |
| Net loss (before tax) | (11,728) | 66,601 | (610,588) | 85,704 | (470,011) |
| | For the nine months period ended September 30, 2007 (Un-audited) | | | | |
| Particulars | Corporate finance | Trading & sales | Retail banking | Commercial banking | Total |
| | ----- (Rupees in '000) ----- | | | | |
| Total income (net of interest expense and provisions) | - | 131,676 | 74,795 | (152,363) | 54,108 |
| Total operating expenses | 8,895 | 139,684 | 474,939 | 40,389 | 663,907 |
| Net loss (before tax) | (8,895) | (8,008) | (400,144) | (192,752) | (609,799) |

Notes to and Forming Part of the Condensed Interim Financial Statements (Un-audited) For The Nine Months Period Ended September 30, 2008

| Particulars | As at September 30, 2008 (Un-audited) | | | | |
|------------------------------|---------------------------------------|--------------------|-------------------|-----------------------|------------|
| | Corporate finance | Trading & sales | Retail banking | Commercial banking | Total |
| | ----- (Rupees in '000) ----- | | | | |
| Segment assets | - | 10,757,868 | 3,857,403 | 6,192,400 | 20,807,671 |
| Segment non-performing loans | - | - | 290,248 | 1,589,041 | 1,879,289 |
| Segment provision held | - | 306,380 | 259,064 | 2,231,542 | 2,796,986 |
| Segment liabilities | - | 2,110,268 | 9,592,914 | 460,686 | 12,163,868 |
| | As at December 31, 2007 | | | | |
| Particulars | Corporate finance | Trading & sales | Retail banking | Commercial banking | Total |
| | ----- (Rupees in '000) ----- | | | | |
| 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 |

18 CORRESPONDING FIGURES

Investment in associates was accounted for under equity method as per International Accounting Standard 28 "Investment in Associates". Subsequent to BSD Circular No. 6 dated September 6, 2007 by the SBP, investment in associates is now carried at cost. The said change in accounting policy was applied in the financial statements for the year ended December 31, 2007 in accordance with the treatment specified in International Accounting Standard (IAS) 8, 'Accounting Policies, Changes in Accounting Estimates and Errors'. Therefore, profit and loss account and cash flow statement for the comparative period have been restated to comply with the said circular.

Further, certain corresponding figures have been reclassified and re-arranged, wherever necessary, for the purpose of comparison.

Notes to and Forming Part of the Condensed Interim Financial Statements (Un-audited)

For The Nine Months Period Ended September 30, 2008

19 GENERAL

Figures have been rounded off to the nearest thousand rupees unless otherwise specified.

20 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on October 25, 2008 by the Board of Directors of the bank.

President & CEO

Chairman

Director

Director

Branches Network

HEAD OFFICE & REGISTERED OFFICE

6th Floor, Sidco Avenue Centre
Maulana Deen Muhammad Wafai Road,
KARACHI.
Tel: (92-21) 5688008, 5686468, 5685312 & 17
Fax: (92-21) 5689625, 5685442
UAN: 111-999-333

BAHRIA COMPLEX BRANCH, KARACHI

Ground Floor
Bahria Complex I, 24 M. T. Khan Road
KARACHI - 74200
Tel: (92-21) 5610393-5 & 5611146-7
Fax: (92-21) 5610830

BAHRIA COMPLEX BRANCH, KARACHI

Ground Floor Bahria Complex - I,
M.T. Khan Road
KARACHI
Tel: (92-21) 5610314, 5610154
Fax: (92-21) 5610139

FOUNTAIN BRANCH, KARACHI

270/1/A Maulana Deen Muhammad Wafai Road
KARACHI - 74200
Tel: (92-21) 5685165, 5685194,
5688768, 5689322 & 17
Fax: (92-21) 5689113

DHA BRANCH, KARACHI

Plot#1, C Shahbaz Lane#4
26th Street, Phase VI, DHA,
KARACHI
Tel: (92-21) 5340033, 5340113, 5340116
Fax: (92-21) 5340149

NORTH KARACHI BRANCH, KARACHI

Plot No. 24, Sector No. 12-B
North Karachi Industrial Area,
KARACHI
Tel : (92-21) 6957429, 6957640
Fax: (92-21) 6957209

SHAHRAH-E-FAISAL BRANCH, KARACHI

Showroom No. 6 & 7, Ground Floor
Ibrahim Trade Towers, Plot No. 1
Block 7 & 8, Maqbool Cooperative Housing
Society, Shahrah-e-Faisal,
KARACHI
Tel : (92-21) 4322110
Fax: (92-21) 4322109

SITE BRANCH, KARACHI

Show Room G-1, Sub Divide Plot No. B/53-A,
S.I.T.E,
KARACHI
Tel: (92-21) 2574899, 2574946, 2574906
Fax: (92-21) 2574930

RASHID MINHAS ROAD BRANCH, KARACHI

Shop No. 9 to 12, Billy's Tower,
Main Rashid Minhas Road,
KARACHI
Tel: (92-21) 4029602
Fax: (92-21) 4029601

BAHADURABAD BRANCH - KARACHI

Al-Haram Towers II, Plot No. 35-P/1, Block-3, Bihar
Muslim Cooperative Housing Society, Karachi.
Tel: (92-21) 4860254 & 4860255

MALL BRANCH, LAHORE

48 Shakra-e-Quaid-e-Azam
LAHORE -54660
Tel: (92-42) 6302064-7
Fax: (92-42) 6363062

GULBERG BRANCH, LAHORE

91-D-1, Main Boulevard, Gulberg,
LAHORE.
Tel: (92-42) 5781347-57
Fax: (92-42) 5781339
UAN: 111-666-333

MONTGOMERY ROAD BRANCH, LAHORE

Shafi Mansion 9-Montgomery Road, LAHORE.
Tel: (92-42) 6371435
Fax: (92-42) 6369938

DEFENCE BRANCH, LAHORE

74-Z, Commercial Phase-III, DHA,
LAHORE
UAN: 111-999-333

CIRCULAR ROAD BRANCH, LAHORE

75-Circular Road, Outside Akbari Gate,
LAHORE.
Tel: (92-42) 7665671, 7664872 & 91
Fax: (92-42) 7666205

LIAQUAT ROAD BRANCH, FAISALABAD

P-74, Liaqat Road, Opp: Police Line
FAISALABAD
Tel: (92-41) 2604901-06
Fax: (92-41) 2540102

PARIS ROAD BRANCH, SIALKOT

House No. 1, Street No. 1
Abdullah Mansion, Nishat Park
Paris Road,
SIALKOT
Tel : (92-524) 273740, 263709, 272808,
272902, 274467
Fax: (92-534) 273730

RAZIA SHARIF PLAZA BRANCH, ISLAMABAD

92- West Razia Sharif Plaza
Fazal-ul- Haq Road, Blue Area
ISLAMABAD
Tel: (92-51) 2270765-7
Fax: (92-51) 2825629
UAN: 111-999-333

TAHIR PLAZA BRANCH, ISLAMABAD

37-B, Tahir Plaza
Blue Area, ISLAMABAD
Tel: (92-51) 2270270, 2270272
Fax: (92-51) 2270271

SARWAR ROAD BRANCH - LAHORE

31A - Sarwar Road, Near Police Station,
LAHORE CANTT.
Tel: (92-42) 663801-05
Fax: (92-42) 6603810

F-10 BRANCH - ISLAMABAD

Mustafa Mansion 1-Q 1-R, Main Dabble Road,
F-10 Markaz
ISLAMABAD.
Tel: (92-51) 2103158, 2103173,
3103186, 3103206, 2809761-64
Fax: (92-51) 2103157

F-7 BRANCH - ISLAMABAD

Plot No. 12-A, Markaz F-7, Islamabad.
Tel: (92-51) 051-2803291-5
Fax: (92-51) 2803290

CLIFTON BRANCH - KARACHI

Commercial property bearing # GPC-4,
Block # 5,
KARACHI.
Tel: (92-21) 5364294-97
Fax: (92-21) 5364298

GULSHAN-E-IQBAL BRANCH - KARACHI

Five Star Plaza, Sub Plot # SB-11, Block-13-C,
KDA Scheme # 24, Gulshan-e-Iqbal,
KARACHI.
Tel: (92-21) 4820185, 4830507-08
Fax: (92-21) 4830509

SADDAR ROAD BRANCH, PESHAWAR

6-D, Saddar Road Peshawar Cantt.
PESHAWAR
Tel: (92-91) 270951
Fax: (92-91) 270952
UAN: 111-999-333

MULTAN BRANCH

Property # 1, Ward # 9, Muzza Ismail Near Altaf
Town, behind Aqab Nusrat road,
TEHSIL & DISTRICT MULTAN.
Tel: (92-61) 4516170, 4516380, 4516420, 4516470
Fax: (92-61) 4516140

GUJRANWALA BRANCH

Plaza Arshad Tower, Near Gulshan Park Opposite
to Quaid-d-Azam Divisional Public School,
Main G.T.Road,
GUJRANWALA.
Tel: (92-55) 3842477, 3841981, 3842908, 3841991
Fax: (92-55) 3842901

CAVALRY GROUND BRANCH - LAHORE

Plot # 86, Commercial Area Cavalry Ground
Walton Cantt,
LAHORE.
Tel: (92-42) 6619712-16
Fax: (92-42) 6619720

GARDEN BRANCH - LAHORE

Asia Centre, Plot # 8, Babar Block Main
Boulevard, New Garden Town,
LAHORE.
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Fax: (92-42) 5941160

