

PROGRESSION

20  
HALF YEARLY REPORT  
JUNE 30  
08



**CresBank**  
Crescent Commercial Bank Limited

PROGRESSION

20  
HALF YEARLY REPORT  
JUNE 30  
08





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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. Tawfiq A. Husain (President & CEO)\*

### **Audit Committee**

Mr. Beji Tak - Tak  
Mr. Javed Iqbal

### **Board Credit Committee**

Mr. Tawfiq A. Husain  
Mr. Syed Sajjad Razvi  
Mr. Beji Tak - Tak

### **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**

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

\* w.e.f. May 22, 2008

\*\* w.e.f. April 25, 2008.

## DIRECTORS REVIEW

for the Period Ended June 30, 2008

On behalf of the Board of Directors, I wish to present you the financial statements of Crescent Commercial Bank Limited (CCBL) as at and for the half year ended June 30, 2008.

### Financial Results

A summary of CCBL's financial performance for the half year ended June 30, 2008 is as follows:

Loss before taxation  
Taxation (including deferred)  
Loss after taxation  
Earning per share - in Rupees  
Number of branches

June 30, 2008	June 30, 2007 (Restated)
(Rupees in million)	
(250)	(367)
122	(3)
(128)	(370)
(0.15)	(0.63)
28	18
June 30, 2008	December 31, 2007
(Rupees in million)	
18,466	20,655
3,917	3,948
5,700	4,693
10,223	12,645
6,090	6,219
(22)	(16)

Total assets  
Investments  
Advances  
Deposits  
Paid up capital & reserves (before revaluation reserve)  
(Deficit)/ Surplus on revaluation of securities

### Review of Operations

The wholesale banking infrastructure, which has recently been developed, resulted in a 21% increase in advances from Rs 4.7 billion to Rs 5.7 billion when compared to December 2007, and by 82% over the corresponding period last year. As a result, the net interest income also increased significantly from Rs 59 million to Rs 345 million.

The changing business environment and difficulties faced by our consumer loan recoveries team led to a conscious decision by management of tightening the risk parameters around consumer lending and pacing the growth in our consumer asset program.



## **DIRECTORS REVIEW**

for the Period Ended June 30, 2008

The bank's deposit base reduced from December 2007 as a part of our strategy to improve the deposit mix from larger and costlier deposits to smaller and more stable deposits, which is consistent with our branch banking plan. We are also heavily investing in infrastructure, information technology, branches and people 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**

Long term commitment to Pakistan by our parent, Samba Financial Group (Samba), remains clear and unwavering as it continues to support the current momentum of the bank's integration, re-branding, and investment initiatives in areas such as expansion and upgradation of our branch network, improvement of our systems and technology, adoption of prudent policies and procedures and in sourcing and retention of intellectual capital. We are aligning the bank's processes and procedures closer to Samba's world class standards and introducing new and innovative products with Samba's support.

### **Rating**

The strong Samba franchise value and as well as the transfer of expertise, IT systems, processes, and products by our parent helped 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.

### **Acknowledgment**

On behalf of the Board of Directors, I would like to thank all our external stakeholders, specially our clients for their patronage and support and to State Bank of Pakistan (SBP), Securities and Exchange Commission of Pakistan (SECP) and other relevant authorities for their support and guidance.

In conclusion I would like to express our sincere gratitude to all our employees for their hard work, loyalty, devotion and continued efforts as we transition, integrate and re-brand with Samba and work towards achieving both our short term business and long term strategic objectives.

On behalf of the Board

**Tawfiq A Husain**

President and Chief Executive Officer

Karachi

August 16, 2008

## INDEPENDENT AUDITORS REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE MEMBERS

### Introduction

We have reviewed the accompanying condensed interim balance sheet of Crescent Commercial Bank Limited as at June 30, 2008 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the "condensed interim financial information"), for the half year then ended. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim profit and loss account for the quarters ended June 30, 2008 and 2007 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2008.

### Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended June 30, 2008 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

**A. F. Ferguson & Co.**  
Chartered Accountants

Date : August 16, 2008

Karachi





## Condensed Interim Balance Sheet

As at June 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

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

Note	June 30, 2008 (Un-audited)	December 31, 2007 (Audited)
	(Rupees in '000)	
	1,094,637	1,003,611
	82,716	63,348
6	4,930,265	8,565,836
7	3,916,749	3,947,925
8	5,700,232	4,693,113
	899,318	854,292
9	933,272	804,266
	908,966	722,911
	18,466,155	20,655,302
	104,570	1,056,878
10	1,519,138	182,611
11	10,223,552	12,644,938
	-	-
	420	3,403
	-	-
	549,479	565,314
	12,397,159	14,453,144
	6,068,996	6,202,158
	8,769,517	8,769,517
	43,080	43,080
	(2,722,008)	(2,593,956)
	6,090,589	6,218,641
	(21,593)	(16,483)
	6,068,996	6,202,158

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President & CEO

Chairman

Director

Director

## Condensed Interim Profit And Loss Account (Un-audited)

For the quarter and  
half year ended  
June 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	
- Prior years	
- Deferred	
Loss after taxation	
Accumulated loss brought forward	
Share issue cost	
Accumulated loss carried forward	
Loss per share (Rupees)	

Note	Quarter ended June 30, 2008	Quarter ended June 30, 2007 (Restated)	Half year ended June 30, 2008	Half year ended June 30, 2007 (Restated)
	(Rupees in '000)			
	406,102	300,253	841,626	402,414
	234,754	201,522	496,989	343,239
	171,348	98,731	344,637	59,175
	(61,612)	(34,196)	(45,855)	(104,585)
	(10,385)	-	258	-
	-	(678)	-	(678)
	(71,997)	(34,874)	(45,597)	(105,263)
	99,351	63,857	299,040	(46,088)
	8,612	2,815	18,199	9,651
	-	9,013	8,169	10,341
	3,417	1,350	5,938	2,680
	-	50,331	5,186	66,153
	71	-	73	-
	6,967	4,330	34,770	9,566
	19,067	67,839	72,335	98,391
	118,418	131,696	371,375	52,303
	317,353	254,257	621,253	419,772
	(31)	(117)	(38)	(1,136)
	20	632	66	632
	317,342	254,772	621,281	419,268
	(198,924)	(123,076)	(249,906)	(366,965)
	(198,924)	(123,076)	(249,906)	(366,965)
	2,400	(2,180)	-	(3,005)
	-	-	-	-
	121,854	-	121,854	-
	124,254	(2,180)	121,854	(3,005)
	(74,670)	(125,256)	(128,052)	(369,970)
	(2,647,338)	(1,515,778)	(2,593,956)	(1,220,064)
	-	-	-	(51,000)
	(2,722,008)	(1,641,034)	(2,722,008)	(1,641,034)
	(0.09)	(0.14)	(0.15)	(0.63)

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 half year ended  
June 30, 2008

### CASH FLOW FROM OPERATING ACTIVITIES

Loss before taxation  
Dividend income

#### Adjustments for non-cash and other items:

Depreciation  
Amortisation of intangible assets  
Provision against loans and advances - net  
Reversal of provision for diminution in the value of investments - net  
Unrealised gain on revaluation of investments classified as held-for-trading  
Finance charges on leased assets  
Gain on sale of operating fixed assets  
Gain on sale of securities  
Bad debts written off  
Other provisions / reversal of provision against other assets

#### (Increase) / decrease in operating assets

Lendings to financial institutions  
Held-for-trading securities  
Advances - net  
Others assets (excluding advance taxation)

#### Increase / (decrease) in operating liabilities

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

Income tax (paid) / refunds - net  
Net cash used in operating activities

### CASH FLOW FROM INVESTING ACTIVITIES

Net investments in securities  
Dividend income  
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 - net  
Net cash (outflow) on / inflow from financing activities

Increase in cash and cash equivalents  
Cash and cash equivalents at beginning of the period  
Cash and cash equivalents at end of the period

Half year ended June 30, 2008	Half year ended June 30, 2007 (Restated)
(Rupees in '000)	
(249,906)	(366,965)
(8,169)	(10,341)
258,075	(377,306)
39,774	37,289
3,180	2,721
45,855	104,585
(258)	-
(73)	-
893	274
(467)	(1,597)
(5,186)	(66,153)
-	678
(38)	(1,136)
83,680	76,661
(174,395)	(300,645)
3,635,571	(5,850,651)
(495,460)	-
(1,052,974)	(828,438)
(182,046)	(64,444)
1,905,091	(6,743,533)
(952,308)	23,390
1,336,527	(183,771)
(2,421,386)	4,660,042
(15,835)	24,339
(2,053,002)	4,524,000
(322,306)	(2,520,178)
(3,973)	78,617
(326,279)	(2,441,561)
519,892	(3,166,935)
8,169	10,341
(90,711)	(36,382)
3,199	3,324
440,549	(3,189,652)
(3,876)	(3,155)
-	5,949,000
(3,876)	5,945,845
110,394	314,632
1,066,959	914,818
1,177,353	1,229,450

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 Half Year Ended  
June 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
Further issue of shares	6,000,000	-	-	-	-	6,000,000
Share issue cost	-	-	-	-	(51,000) *	(51,000)
Loss after taxation for the half year ended June 30, 2007	-	-	-	-	(369,970)	(369,970)
Balance as at June 30, 2007	8,769,517	20,935	22,145	-	(1,641,034)	7,171,563
Loss after taxation for the half year ended December 31, 2007	-	-	-	-	(952,922)	(952,922)
<b>Balance as at December 31, 2007</b>	8,769,517	20,935	22,145	-	(2,593,956)	6,218,641
Loss after taxation for the half year ended June 30, 2008	-	-	-	-	(128,052)	(128,052)
<b>Balance as at June 30, 2008</b>	<u>8,769,517</u>	<u>20,935</u>	<u>22,145</u>	<u>-</u>	<u>(2,722,008)</u>	<u>6,090,589</u>

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

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

For the half year ended June 30, 2008

### 1 STATUS AND NATURE OF BUSINESS

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.

### 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.
- (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.

## Notes To And Forming Part Of The Condensed Interim Financial Statements

For the half year ended June 30, 2008

### 4 BASIS OF MEASUREMENT

These condensed interim 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

June 30, 2008	December 31, 2007
(Rupees in '000)	
3,100,000	4,250,000
1,830,265	4,287,936
-	27,900
<b>4,930,265</b>	<b>8,565,836</b>

### 7 INVESTMENTS - NET

Note	June 30, 2008			December 31, 2007		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
-----Rupees in '000-----						
Held for trading securities	495,460	-	495,460	-	-	-
Available for sale securities	1,893,432	1,165,244	3,058,676	3,333,152	-	3,333,152
Held to maturity securities	328,819	-	328,819	590,643	-	590,643
Associates / Associated companies	371,470	-	371,470	371,470	-	371,470
Investments at book value	3,089,181	1,165,244	4,254,425	4,295,265	-	4,295,265
Less: Provision for diminution in the value of investments	(307,629)	-	(307,629)	(329,483)	-	(329,483)
Investments (net of provisions)	2,781,552	1,165,244	3,946,796	3,965,782	-	3,965,782
Surplus on revaluation of Held-for-trading securities	73	-	73	-	-	-
Deficit on revaluation of Available-for-sale securities	(23,323)	(6,797)	(30,120)	(17,857)	-	(17,857)
Total investments - net of provisions	<b>2,758,302</b>	<b>1,158,447</b>	<b>3,916,749</b>	<b>3,947,925</b>	<b>-</b>	<b>3,947,925</b>



## Notes To And Forming Part Of The Condensed Interim Financial Statements

For the half year ended June 30, 2008

	June 30, 2008			December 31, 2007		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
	-----Rupees in '000-----					
<b>7.1 Held for trading securities</b>						
Market Treasury Bills	495,460	-	495,460	-	-	-
<b>7.2 Available-for-sale securities</b>						
Market Treasury Bills	1,559,709	1,165,244	2,724,953	2,943,990	-	2,943,990
Pakistan Investment Bonds	112,716	-	112,716	90,253	-	90,253
WAPDA Bonds	-	-	-	63,215	-	63,215
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	66,659	-	66,659	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
	<u>1,893,432</u>	<u>1,165,244</u>	<u>3,058,676</u>	<u>3,333,152</u>	<u>-</u>	<u>3,333,152</u>
<b>7.3 Held-to-maturity securities</b>						
Pakistan Investment Bonds	327,054	-	327,054	329,244	-	329,244
Term Finance Certificates - unlisted	1,765	-	1,765	261,399	-	261,399
	<u>328,819</u>	<u>-</u>	<u>328,819</u>	<u>590,643</u>	<u>-</u>	<u>590,643</u>
<b>7.4 Associates / Associated companies</b>						
Ordinary shares - listed	371,470	-	371,470	371,470	-	371,470

## Notes To And Forming Part Of The Condensed Interim Financial Statements

For the half year ended June 30, 2008

8	ADVANCES - NET	Note	June 30, 2008	December 31, 2007
			(Rupees in '000)	
	<b>Loans, cash credits, running finances, etc</b>			
	- In Pakistan		7,138,807	6,092,646
	<b>Net Investment in finance lease</b>			
	- In Pakistan		789,682	878,848
	<b>Bills discounted and purchased (excluding government treasury bills)</b>			
	- Payable in Pakistan		133,944	133,944
			8,062,433	7,105,438
	<b>Less: Provision for loans and advances</b>			
	- Specific provision	8.1	(2,227,457)	(2,292,023)
	- General provision	8.3	(134,744)	(120,302)
			(2,362,201)	(2,412,325)
			5,700,232	4,693,113

- 8.1 Advances include Rs 1,847.384 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	Domestic	Overseas	Total	Provision required	Provision held
-----Rupees in '000-----					
Substandard	137,112	-	137,112	38,900	38,900
Doubtful	2,268	-	2,268	1,222	1,222
Loss	1,708,004	-	1,708,004	1,659,353	1,659,353
	1,847,384	-	1,847,384	1,699,475	1,699,475
Special Mention Category	533,161	-	533,161	527,982	527,982
	2,380,545	-	2,380,545	2,227,457	2,227,457

- 8.2 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.





## Notes To And Forming Part Of The Condensed Interim Financial Statements

For the half year ended June 30, 2008

- 8.3 General provision includes provision amounting to Rs. 124.992 million (December 31, 2007: Rs 115.493 million) against consumer financing portfolio as required by the Prudential Regulations issued by the State Bank of Pakistan. General provision also includes provision amounting to 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 ASSET - 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 and advances, investments and other assets  
Assets subject to finance lease  
Deficit on revaluation of securities  
Others

9.1

June 30, 2008	December 31, 2007
(Rupees in '000)	
(25,750)	(28,467)
(132,149)	(154,747)
(460)	-
303,528	231,472
778,982	753,076
-	70
8,525	1,374
596	1,488
<u>933,272</u>	<u>804,266</u>

- 9.1 The bank has an aggregate amount of Rs. 3,112.76 million in respect of unabsorbed tax losses as at June 30, 2008. Out of this amount the management has recognised deferred tax debit balance on losses amounting to Rs. 867.22 million. This represents the management's best estimate of the 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.

### 10 BORROWINGS

#### Secured

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

#### Unsecured

Bankers Equity Limited (under liquidation)

156,800	156,800
1,215	3,475
<u>1,338,787</u>	-
1,496,802	160,275
22,336	22,336
<u>1,519,138</u>	<u>182,611</u>

## Notes To And Forming Part Of The Condensed Interim Financial Statements

For the half year ended June 30, 2008

### 11 DEPOSITS AND OTHER ACCOUNTS

Customers  
Fixed deposits  
Savings deposits  
Current accounts - non-remunerative  
Others - non-remunerative

Financial Institutions  
Remunerative deposits  
Non-remunerative deposits

June 30, 2008	December 31, 2007
(Rupees in '000)	
<b>6,180,949</b>	6,922,165
<b>2,003,090</b>	3,135,218
<b>1,421,138</b>	1,666,407
<b>28,699</b>	23,290
<b>9,633,876</b>	11,747,080
<b>556,230</b>	867,745
<b>33,446</b>	30,113
<b>589,676</b>	897,858
<b>10,223,552</b>	12,644,938
<b>800,000</b>	-
<b>181,579</b>	155,450
<b>1,675,727</b>	1,559,300
<b>2,657,306</b>	1,714,750
<b>406,213</b>	374,012
-	-
-	235
<b>406,213</b>	374,247
-	-
<b>4,519,209</b>	654
<b>4,519,209</b>	654

### 12 CONTINGENCIES AND COMMITMENTS

#### 12.1 Direct credit substitutes

Favouring government  
Favouring banks and financial institutions  
Favouring others

#### 12.2 Transaction-related contingent liabilities /commitments

Guarantees in favour of:  
Government  
Banks and financial institutions  
Others

#### 12.3 Trade-related contingent liabilities

Favouring banks and financial institutions  
Favouring others



## Notes To And Forming Part Of The Condensed Interim Financial Statements

For the half year ended June 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 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 appeal 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 condensed interim 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 revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

### 12.6 Commitments in respect of forward exchange contracts

Purchase

Sale

June 30, 2008	December 31, 2007
(Rupees in '000)	
-	184,080
<b>204,000</b>	-

### 12.7 Capital Commitments

Commitments for capital expenditure as at June 30, 2008 amounted to Rs 107.662 million (December 31, 2007: Rs 68.39 million).

## Notes To And Forming Part Of The Condensed Interim Financial Statements

For the half year ended June 30, 2008

### 13 LOSS PER SHARE

Loss after taxation

Weighted average number of ordinary shares

Loss per share

Half year ended June 30, 2008	Half year ended June 30, 2007 (Restated)
(Rupees in '000)	
<b>(128,052)</b>	(369,970)
----- Number of Shares -----	
<b>876,951,675</b>	585,238,933
(Rupees)	
<b>(0.15)</b>	(0.63)

13.1 A diluted loss per share has not been presented as the bank does not have any convertible instruments in issue at June 30, 2007 and 2008 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 and 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

### 15 MARK-UP / RETURN / INTEREST EXPENSED

Deposits  
Securities sold under repurchase agreements  
Long-term and short-term borrowings  
SBP export re-finance  
Others

Half year ended June 30, 2008	Half year ended June 30, 2007
(Rupees in '000)	
<b>387,564</b>	116,736
<b>139,061</b>	122,274
<b>6,446</b>	16,797
<b>1,242</b>	2,816
<b>149,232</b>	44,096
<b>158,081</b>	99,695
<b>841,626</b>	402,414
<b>448,488</b>	332,288
<b>42,798</b>	1,031
<b>509</b>	1,093
<b>4,966</b>	8,448
<b>228</b>	379
<b>496,989</b>	343,239



## Notes To And Forming Part Of The Condensed Interim Financial Statements

For the half year ended June 30, 2008

### 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 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 the Chief Executive and Directors to be key management personnel.

Details of transactions with related parties are given below:

	June 30, 2008			December 31, 2007		
	Key management personnel	Associates	Others	Key management personnel	Associates	Others
	-----Rupees in '000-----					
<b>BALANCE OUTSTANDING - GROSS</b>						
<b>Advances</b>						
At January 01	45,701	45,500	-	14,890	55,617	-
Given during the period	16,460	-	-	42,230	-	-
Repaid during the period	(2,121)	-	-	(3,038)	(10,117)	-
Adjustments *	(7,327)	-	-	(8,381)	-	-
At June 30 / December 31	<u>52,713</u>	<u>45,500</u>	<u>-</u>	<u>45,701</u>	<u>45,500</u>	<u>-</u>

## Notes To And Forming Part Of The Condensed Interim Financial Statements

For the half year ended June 30, 2008

	June 30, 2008			December 31, 2007		
	Key management personnel	Associates	Others	Key management personnel	Associates	Others
	-----Rupees in '000-----					
<b>Provision held against advances</b>	-	45,500	-	-	45,500	-
<b>Deposits</b>						
At January 01	24,405	14,443	15,288	15,499	34,921	-
Received during the period	152,129	56,110	20,655	161,719	181,770	26,860
Withdrawn during the period	(125,208)	(65,411)	(4,315)	(148,831)	(165,122)	(11,572)
Adjustments *	(4,006)	(1,363)	-	(3,982)	(37,126)	-
At June 30 / December 31	47,320	3,779	31,628	24,405	14,443	15,288
<b>Others</b>						
Guarantees	-	42,196	-	-	3,733	-
Investment in shares	-	371,470	-	-	371,470	-
Sundry receivables	-	148	-	-	2,224	-
Balances in vostro accounts	-	684	-	-	492	-
<b>Provision against diminution in the value of investments</b>	-	196,383	-	-	196,383	-
	Half year ended June 30, 2008			Half year ended June 30, 2007		
	Key management personnel	Associates	Others	Key management personnel	Associates	Others
	-----Rupees in '000-----					
<b>Transactions during the period</b>						
Remuneration and benefits	76,903	-	-	73,929	-	-
Directors fee	3,157	-	-	85	-	-
Commission on guarantees	-	259	-	-	-	-
Letters of guarantee issued	-	38,463	-	-	-	-
Mark-up / return / interest expensed	1,062	221	268	235	30	75
Mark-up / return / interest income	1,315	-	-	311	33	-
Disposal of fixed assets	459	-	-	569	-	-

\* Represents amounts relating to those key management personnel and associates who are no longer related parties or have become related parties of the bank as at June 30, 2008.



## Notes To And Forming Part Of The Condensed Interim Financial Statements

For the half year ended June 30, 2008

### 17 BUSINESS SEGMENTS

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

	For the half year ended June 30, 2008 (Un-audited)				
	Corporate finance	Trading & sales	Retail banking	Commercial banking	Total
	----- (Rupees in '000) -----				
Total income (net of interest expense and provisions)	-	99,574	43,386	228,415	371,375
Total operating expenses	6,933	78,977	395,654	139,717	621,281
Net loss (before tax)	(6,933)	20,597	(352,268)	88,698	(249,906)
	For the half year ended June 30, 2007 (Un-audited)				
	Corporate finance	Trading & sales	Retail banking	Commercial banking	Total
	----- (Rupees in '000) -----				
Total income (net of interest expense and provisions)	-	47,546	66,900	(62,143)	52,303
Total operating expenses	6,130	92,910	298,630	21,598	419,268
Net loss (before tax)	(6,130)	(45,364)	(231,730)	(83,741)	(366,965)
	As at June 30, 2008 (Un-audited)				
	Corporate finance	Trading & sales	Retail banking	Commercial banking	Total
	----- (Rupees in '000) -----				
Segment assets	-	11,693,158	4,233,427	5,350,901	21,277,486
Segment non-performing loans	-	-	257,834	1,589,550	1,847,384
Segment provision held	-	385,393	286,346	2,139,592	2,811,331
Segment liabilities	-	1,372,811	10,527,342	497,006	12,397,159

## Notes To And Forming Part Of The Condensed Interim Financial Statements

For the half year ended June 30, 2008

As at December 31, 2007

	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

Corresponding figures have been reclassified and re-arranged, wherever necessary, for the purpose of comparison. Significant reclassifications include the following:

- Restatement of comparative information in order to comply with the change in accounting policy made in the annual financial statements for the year ended December 31, 2007 in respect of accounting for associates. Subsequent to the issue of BSD circular no. 6 dated September 6, 2007 by the State Bank of Pakistan 'investment in associates' are carried at cost. Accordingly, the profit and loss account, cash flow statement and earnings / loss per share have been restated by the following amounts:

- Share of (profit) / loss of associate

- (Earnings) / loss per share

- Gain on sale of securities amounting to Rs 66.153 million, previously included in the movement of 'net investments in securities' in the cash flow statement has been reclassified and presented separately on the cash flow statement in 'adjustments for non-cash and other items'.

Quarter ended June 30, 2007	Half year ended June 30, 2007
(Rupees in '000)	
(1,593)	6,033
(Rupees )	
(0.0018)	0.0103

### 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 August 16, 2008 by the Board of Directors of the bank.





## Branches Network

### HEAD OFFICE & REGISTERED OFFICE

5th & 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

### MALL BRANCH, LAHORE

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

### **Branches Network**

#### **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, Liaquat 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



## **Branches Network**

### **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

### **MASCO BRANCH - ISLAMABAD**

Masco Plaza 3rd Floor, Blue Area F-7  
ISLAMABAD.  
Tel: (92-51) 2803291-95  
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

### **SIDCO CENTRE BRANCH - KARACHI**

First Floor, Sidco Avenue Centre  
Mualana Deen Muhammad Wafai Road, Sadar,  
KARACHI.  
Tel: (92-21) 5693189-90, 5693198  
Fax: (92-21) 5693247

### **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

### **Branches Network**

#### **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.

Tel: (92-42) 5941156-58, 5941162-63

Fax: (92-42) 5941160



**CresBank**  
Crescent Commercial Bank Limited