

Third
Quarterly
Report 2009
September

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Silkbank Limited (Formerly Saudi Pak Commercial Bank Ltd.)

SILKBANK 
Yes we can



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Report 2009
September

Contents

Corporate Information	01
Directors' Review Report	02
Balance Sheet	04
Profit and Loss Account	05
Cash Flow Statement.....	06
Statement of Changes in Equity.....	07
Notes to the Financial Statements	08
List of Branches.....	15

Corporate Information

Board of Directors

Mr. Munnawar Hamid, OBE	Chairman
Mr. Ahmed Bin Mohamed Bin Abdullah Al-Abri	Director
Mr. Humayun Bashir	Director
Mr. Javed Hamid	Director
Mr. Sadeq Sayeed	Director
Mr. Arif Mahmood Ali	Director
Mr. Arshad Ghafur	Director
Mr. Azmat Shahzad Ahmed Tarin	President & CEO

Audit Committee

Mr. Humayun Bashir	Chairman
Mr. Sadeq Sayeed	Member
Mr. Arif Mahmood Ali	Member
Mr. Arshad Ghafur	Member

Company Secretary

Mr. Syed Liaquat Ali, FCA

Auditors

Anjum Asim Shahid Rahman
Chartered Accountants

Legal Advisors

Cornelius, Lane & Mufti

Registered Office

Silkbank Limited
Silkbank Building, I.I. Chundrigar Road,
Karachi.
Telephone No.: 021-111-00-7455 Ext.: 414 & (021) 32460025
Fax No.: 021-32460464
Website: www.silkbank.com.pk

Share Registrar

Nobel Computer Services (Pvt.) Limited
Mezzanine Floor, House of Habib Building (Siddiqsons Tower)
3-Jinnah Cooperative Housing Society, Main Shahrah-e-Faisal
Karachi – 75350
Phone: +92 21 34325482-87
Fax: +92 21 34325442

Directors' Review Report

Dear Shareholders,

We are pleased to present the un-audited financial statements of Silkbank Limited (Formerly Saudi Pak Commercial Bank Limited) for the quarter ended September 30, 2009.

Economic Review

Economic growth of the country is still under stress due to severe power shortages, rising electricity rates, high prices of petroleum products, terrorism and a volatile law and order situation. These factors have affected the economy at both micro and macro level and had a negative impact on the profitability and growth of almost all businesses. However, there are also signs of gradual economic recovery. The rate of inflation is under control and is expected to continue the downward trend during the remaining part of 2009, with a single digit inflation forecast for 2010. Foreign currency reserves are at a high of US\$ 14.7 billion with remittances from Pakistanis living abroad showing a healthy and rising trend depicting the confidence they have in the future of the economy of Pakistan.

Financial Performance

Summarized financial performance of Silkbank Limited (Formerly Saudi Pak Commercial Bank Limited) for the period ended September 30, 2009 is as follows:

	Rupees in Million
Loss before provisions/impairment	(1,270)
Provision /impairment (net recovery)	279
Loss after provisions/impairment	(991)
Accumulated loss brought forward	(6,132)
Accumulated loss carried forward	(7,462)
Basic/Loss per share (Rupee)	(1.48)

The Bank has continued to implement its strategy in the third quarter of 2009 of recovering non performing loans. Total cash recovery from NPL parties stood at Rs 1.017 billion by the end of the nine month period that ended on September 30, 2009.

With focus on cost rationalization, the Bank was able to contain expenses well below the plan. A comprehensive plan is also under implementation to improve productivity in all areas of the Bank.

Minimum Capital Requirement (MCR)

Following our recapitalization plan to raise capital to meet the SBP requirement the Board of Directors of Silkbank Limited in its meeting held on October 28, 2009 has recommended to issue rights shares at a discount to all its shareholders, subject to approval of the shareholders and the regulators.

Future Outlook

After the successful implementation of capitalization plan, your Bank will be in an excellent position to achieve the strategic objectives in line with its Vision and Mission.

Directors' Review Report

The sluggish economic conditions prevailing during the period under review required your Bank to grow selectively without compromising the future growth and long term capacity / profitability of the Bank. Substantial investments have been made in launching of new products, developing infrastructure including acquisition of Temenos 24 (core banking software) & Oracle Financials upgrading processes putting in place a talented management and re-branding and expansion of branch network.

The Bank has acquired and is presently implementing a State-of-the-Art I.T. platform to cater to the needs of customers, regulators, market and other stakeholders. A highly talented and experienced management team is managing the affairs of your Bank, with specific focus on customer service quality, training & development of human resources and strict compliance with the regulatory / control requirements.

Credit Rating by JCR-VIS

The Bank has been assigned a long term entity rating 'A-'(A Minus) and short term rating of 'A-3' (A-Three) by JCR-VIS Credit Rating Agency. The rating has been put under "Rating Watch - Developing" status on account of capital plan to be met by December end 2009, as allowed by SBP.

Acknowledgement

We are grateful to our customers for the continued support and confidence reposed by them in the Bank and express our gratitude for the guidance provided to us by the State Bank of Pakistan and Securities and Exchange Commission of Pakistan. We would also like to convey our gratitude to the shareholders for their continued support and our valued employees for their strong commitment and hard work for the success of the Bank.

For and on behalf of the Board

Munnawar Hamid, OBE
Chairman

Karachi,
October 28, 2009

Balance Sheet

AS AT SEPTEMBER 30, 2009

	Note	September 30, 2009 (Un-audited)	Rupees in '000 December 31, 2008 (Audited)
ASSETS			
Cash and balances with treasury banks		2,981,030	3,070,067
Balances with other banks		237,808	190,197
Lending to financial institutions		816,658	1,376,651
Investments	4	19,720,639	12,012,233
Advances	5	33,228,814	31,087,373
Other assets		3,869,542	2,292,358
Operating fixed assets		3,280,090	3,002,450
Deferred tax assets (net)		2,274,429	2,613,939
		66,409,010	55,645,268
LIABILITIES			
Bills payable		624,683	431,537
Borrowings from financial institutions		13,773,072	8,738,616
Deposits and other accounts		47,441,791	41,056,630
Sub-ordinated loan		-	-
Liabilities against assets subject to finance lease		16,596	39,731
Other liabilities		1,236,130	987,394
		63,092,272	51,253,908
		3,316,738	4,391,360
NET ASSETS			
REPRESENTED BY			
Share capital	6	9,003,150	9,003,150
Reserves		218,556	218,556
Accumulated loss		(7,459,566)	(6,131,709)
Surplus on revaluation of assets (net of tax)		1,762,140	3,089,997
		1,554,598	1,301,363
		3,316,738	4,391,360
CONTINGENCIES AND COMMITMENTS			
	7		

The annexed notes from 1 to 12 form an integral part of these financial statements.

Azmat Tarin
President & Chief Executive

Munnawar Hamid, OBE
Chairman

Arif Mahmood Ali
Director

Humayun Bashir
Director

Profit and Loss Account - Un-Audited

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009

	Quarter ended July to September 2009	July to September 2008	Nine Months ended September 30, 2009	Rupees in '000 September 30, 2008
Mark-up/return/interest earned	1,507,247	1,243,267	4,388,509	3,384,550
Mark-up/return/interest expensed	1,512,186	1,113,339	4,301,811	3,016,315
Net mark-up/ interest earned	(4,939)	129,927	86,698	368,235
Provision against non-performing loans and advances - net	(686,047)	1,162,007	(407,021)	1,595,799
Reversal of provision against consumer finance	(867)	(3,324)	(4,927)	(9,813)
Diminution/(reversal) in the value of investments	-	-	1,598	(4,827)
Impairment of Available-for-Sale investments	29,487	-	131,380	-
Bad debts written off directly	-	1,599	-	2,610
	(657,427)	1,160,281	(278,970)	1,583,768
Net mark-up / interest income/(loss) after provisions	652,488	(1,030,354)	365,668	(1,215,534)
NON MARK-UP/INTEREST INCOME				
Fee, commission and brokerage income	71,112	44,738	250,479	121,305
Dividend Income	3,741	6,312	22,683	20,439
Income from dealing in foreign currencies	17,525	34,701	89,097	63,567
(Loss) / Gain on sale of investments - net	14,986	2,840	82,030	19,042
Unrealized (loss)/gain on revaluation of investments classified as Held-for-Trading	899	(5,620)	(1,143)	(5,620)
Other income	34,430	27,378	95,017	70,595
Total non-markup/interest income	142,693	110,350	538,163	289,328
	795,181	(920,004)	903,831	(926,205)
NON MARK-UP/INTEREST EXPENSES				
Administrative expenses	682,403	476,132	1,879,129	1,274,485
Other provisions / write offs	-	-	-	-
Other charges	(30)	131	15,881	448
Total non-markup/interest expenses	682,373	476,263	1,895,010	1,274,933
PROFIT/(LOSS) BEFORE TAXATION	112,808	(1,396,267)	(991,179)	(2,201,138)
Taxation				
- Current	9,728	2,974	32,435	7,997
- Prior years	-	-	-	20,000
- Deferred	325,668	-	307,033	(58,646)
	335,396	2,974	339,468	(30,649)
LOSS AFTER TAXATION	(222,588)	(1,399,241)	(1,330,647)	(2,170,489)
Accumulated Losses brought forward	(7,239,768)	(4,890,785)	(6,131,709)	(4,119,537)
Accumulated Losses carried forward	(7,462,356)	(6,290,026)	(7,462,356)	(6,290,026)
Basic and Diluted Earnings/(Loss) Per Share-Rupee/(s)	(0.25)	(3.19)	(1.48)	(3.13)

The annexed notes from 1 to 12 form an integral part of these financial statements.



Azmat Tarin
President & Chief Executive



Munnawar Hamid, OBE
Chairman



Arif Mahmood Ali
Director



Humayun Bashir
Director

Cash Flow Statement - Un-Audited

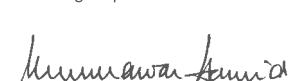
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009

	September 30, 2009	Rupees in '000 September 30, 2008
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(991,179)	(2,201,138)
Less: Dividend Income	(22,683)	(20,439)
	(1,013,862)	(2,221,577)
Adjustments for non-cash items		
Depreciation	161,436	114,029
Amortization of premium on investments	143,220	168,271
Amortization of intangible assets	6,479	11,845
Provision against non-performing advances	(407,021)	1,598,409
Reversal of provision against consumer finance	(4,927)	(9,813)
Provision for diminution in Investments	1,597	(4,827)
Unrealized Loss on revaluation of investments classified as Held for Trading	1,142	5,620
Impairment of investment classified as Available for Sale	131,380	-
Provision for Gratuity	18,448	14,713
Gain on sale of fixed assets	(7,716)	(5,967)
Financial charges on leased assets	3,879	7,007
	47,917	1,899,287
	(965,945)	(322,290)
(Increase)/ Decrease in operating assets		
Lendings to financial institutions	75,500	(1,089,114)
Net investments in Held-for-Trading securities	(73,161)	(26,679)
Advances	(1,579,503)	(5,238,301)
Other assets (excluding advance taxation)	(1,762,281)	(407,640)
	(3,339,445)	(6,761,734)
Increase/ (Decrease) in operating liabilities		
Bills payable	193,146	(81,698)
Borrowings from financial institutions	5,034,456	(1,656,862)
Deposits	6,385,161	478,651
Other liabilities	230,289	110,976
	11,843,052	(1,148,932)
	7,537,662	(8,232,957)
	(32,435)	(7,997)
	7,505,227	(8,240,954)
CASH FLOW FROM INVESTING ACTIVITIES		
Net investment in Available-for-Sale securities	(6,892,627)	6,850,073
Net investment in Held-to-Maturity securities	(726,513)	(42,474)
Dividend Income	22,683	20,439
Sale proceeds of property & equipment disposed off	18,275	23,395
Investment in operating fixed assets	(467,601)	(268,431)
	(8,045,783)	6,583,002
CASH FLOW FROM FINANCING ACTIVITIES		
Payments of lease obligations	(27,020)	(39,158)
Re-payment of Subordinated Loan	-	(650,000)
Issue of Share Capital	-	4,001,400
	(27,020)	3,312,242
Net cash flow from financing activities		
Increase/(Decrease) in cash and cash equivalents		
Cash and cash equivalents at January 01,	(567,576)	1,654,291
Cash and cash equivalents at September 30,	4,561,415	3,352,771
	3,993,839	5,007,062

The annexed notes from 1 to 12 form an integral part of these financial statements.



Azmat Tarin
President & Chief Executive



Munnawar Hamid, OBE
Chairman



Arif Mahmood Ali
Director



Humayun Bashir
Director

Statement of Changes in Equity

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009

	Share Capital	Share Deposit Money	Statutory* Reserves	Accumulated Profit/(Loss)	Rupees in '000 Net Equity
Balance as at January 01, 2008	5,001,750	-	218,556	(4,119,537)	1,100,769
Loss for the nine months after taxation	-	-	-	(2,170,489)	(2,170,489)
Share deposit money for issue of right shares	-	4,001,400	-	-	4,001,400
Issue of right shares	4,001,400	(4,001,400)	-	-	-
Transfer to statutory reserve	-	-	-	-	-
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation- net of tax	-	-	-	1,572	1,572
Balance as at September 30, 2008	9,003,150	-	218,556	(6,288,454)	2,933,252
Loss for the three months ended after taxation	-	-	-	156,221	156,221
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation- net of tax	-	-	-	524	524
Balance as at December 31, 2008 - Audited	9,003,150	-	218,556	(6,131,709)	3,089,997
Loss for the nine months after taxation	-	-	-	(1,330,647)	(1,330,647)
Transfer to Statutory Reserve	-	-	-	-	-
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation- net of tax	-	-	-	2,790	2,790
Balance as at September 30, 2009 - Unaudited	9,003,150	-	218,556	(7,459,566)	1,762,140

* Statutory reserve represents amount set aside as per requirements of section 21 of the Banking Companies Ordinance, 1962.

The annexed notes from 1 to 12 form an integral part of these financial statements.

Notes to the Financial Statements

1. STATUS AND NATURE OF BUSINESS

1.1 Silkbank Limited (formerly Saudi Pak Commercial Bank Limited) ("the Bank") was incorporated in Pakistan on April 04, 1994 as a public limited company under the Companies Ordinance, 1984. The Bank commenced commercial operations on May 07, 1995. Its shares are quoted on all the Stock Exchanges in Pakistan. The Bank is engaged in banking services as described in the Banking Companies Ordinance, 1962. It operates through 66 branches (2008: 65) in Pakistan with the registered office located at Silkbank Building, I. I. Chundrigar Road, Karachi. The short term and long term credit rating of the Bank rated by JCR-VIS Credit Rating Company Limited as at June 30, 2009 is 'A-3' and 'A-' respectively.

The Bank has a short fall of Rs. 3.456 billion as on September 30, 2009 in meeting minimum capital requirement of Rs. 5 billion free of losses, as required by BSD circular No. 19 of 2008. State Bank of Pakistan has deferred the applicability of the requirement of minimum capital requirement till December 31, 2009 on specific request of the bank.

2. STATEMENT OF COMPLIANCE

2.1 These condensed interim financial statements (i.e. "financial information") have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and directives issued by the State Bank of Pakistan (SBP) and Securities and Exchange Commission of Pakistan (SECP). Approved accounting standards comprise such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Ordinance, 1984. In case requirements differ, the provisions of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirement of the said directives shall prevail.

The SBP vide BSD Circular No.10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instrument: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40) for banking companies till further instructions. Further, according to the notification of SECP dated April 28, 2008, the IFRS – 7 "Financial Instruments: Disclosures" has not been made applicable for banks. However instruments have been valued in accordance with the requirements of various circulars issued by SBP.

2.2 During the period, following new / revised standards, amendments and interpretations to approved accounting standards became effective:

Presentation of Financial Statements (Revised)	IAS 1
Borrowing Costs (Revised)	IAS 23
Financial Instruments: Presentation – Amendments regarding Puttable Financial Instruments	IAS 32
Share-Based Payment – Vesting Conditions and Cancellations	IFRS 2
Insurance Contracts	IFRS 4
Operating Segments	IFRS 8
Customer Loyalty Programs	IFRIC 13
Agreements for the Construction of Real Estate	IFRIC 15

Adoption of the above standards, amendments and interpretations did not affect the accounting policies of the Bank as disclosed in the annual financial statements for the year ended December 31, 2008. However, the revised IAS 1 was issued in September 2007 with subsequent amendments in November 2008 and was effective for financial years beginning on or after 1 January 2009. As the standard separates owner and non-owner changes in equity, the statement of changes in equity will include only details of transactions attributable to or with owners, with non-owner changes in equity presented as a single line as "other component of equity". In addition, the standard introduces the statement of comprehensive income; it presents all items of recognized income and expense, either in one single statement, or in two linked statements.

Notes to the Financial Statements

The disclosures made in these condensed interim financial statements have been limited based on the format prescribed by the SBP vide BSD circular letter No.2, dated May 12, 2004 and IAS 34 "Interim Financial Reporting", therefore the above referred to changes introduced through IAS 1 (revised) have not been taken into consideration in the preparation of these condensed interim financial statements. Further, they do not include all of the information required for full annual financial statements, and these condensed interim financial statements should be read in conjunction with the financial statements of the Bank for the year ended December 31, 2008.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in preparing the annual financial statements for the year ended December 31, 2008.

4. INVESTMENTS

	Rupees in '000		
	Held by Bank	Given as Collateral	Total
As at September 30, 2009-Unaudited	9,467,395	10,253,244	19,720,639
As at December 31, 2008-Audited	6,045,770	5,966,463	12,012,233

	Rupees in '000			December 31, 2008 Audited		
	Held by Bank	Given as Collateral	Total	Held by Bank	Given as Collateral	Total
4.1 Investments by type:						
Held-for-Trading securities	73,161	-	73,161	-	-	-
Held-to-Maturity securities	991,525	5,143,702	6,135,227	3,217,940	2,333,994	5,551,934
Available-for-Sale securities	8,514,348	5,109,542	13,623,890	3,230,173	3,632,469	6,862,642
Investment in Associate	75,000	-	75,000	75,000	-	75,000
Investment at cost	9,654,034	10,253,244	19,907,278	6,523,113	5,966,463	12,489,576
Less: Provision for diminution in value of investments	(80,590)	-	(80,590)	(78,993)	-	(78,993)
Investments-net of provision	9,573,444	10,253,244	19,826,688	6,444,120	5,966,463	12,410,583
(Deficit) / Gain on revaluation of:						
-Held-for-Trading securities	(1,143)	-	(1,143)	-	-	-
-Available-for-Sale securities	(104,906)	-	(104,906)	(398,350)	-	(398,350)
Total investments at market value	9,467,395	10,253,244	19,720,639	6,045,770	5,966,463	12,012,233

4.2 Consistent with SECP SRO 150(1)/2009 and SBP BSD Circular 04 of 2009, one fourth of the impairment loss on available for sale securities has been charged off to profit & loss account on quarterly basis (Rs 131.380 million in aggregate). The amount of impairment to be charged off to profit & loss account in the remaining quarter aggregated Rs. 37.702 million as at September 30, 2009.

Notes to the Financial Statements

4.3 Investments by segments

	September 30, 2009 (Un-Audited)	December 31, 2008 (Audited)
Federal Government Securities		
Market treasury bills	8,701,140	5,317,401
Pakistan investment bonds	8,578,436	5,958,801
	17,279,576	11,276,202
Fully paid-up ordinary shares		
Listed companies	290,595	206,105
Unlisted companies	65,680	65,680
	356,275	271,785
Term Finance Certificates, Debentures, Bonds and Participation Term Certificates		
Term finance certificates - Listed	154,227	80,239
Term finance certificates - Unlisted	1,804,228	506,838
	1,958,455	587,077
Other investments		
Mutual fund units	67,312	88,907
Preference shares	44,538	65,000
	-	50,000
Investment in commercial papers	51,212	-
Investment in associate	75,000	75,000
Shares repo	74,910	75,605
Total investments at cost	19,907,278	12,489,576
Provision for diminution in the value of investments	(80,590)	(78,993)
Investments - net of provision	19,826,688	12,410,583
Deficit on revaluation of held for trading investments	(1,143)	-
Deficit on revaluation of available for sale investments	(104,906)	(398,350)
Total investments at market value	19,720,639	12,012,233

5 ADVANCES - NET

	September 30, 2009 (Un-Audited)	December 31, 2008 (Audited)
Loans, cash credits, running finances, etc.		
In Pakistan	38,859,454	37,657,007
Outside Pakistan	38,859,454	37,657,007
Bills discounted and purchased (excluding treasury bills)		
Payable in Pakistan	193,079	21,691
Payable outside Pakistan	634,761	508,694
	827,840	530,385
Advances - gross	39,687,294	38,187,392
Provision for non-performing advances - specific	(6,453,158)	(7,089,770)
Provision against consumer finance - general	(5,322)	(10,249)
Advances - net of provision	33,228,814	31,087,373

Notes to the Financial Statements

5.1 Advances include Rs.12,113 million (2008: Rs.12,845 million) which have been placed under non-performing status as detailed below:

Category of classification - specific	September 30, 2009 Un-Audited			December 31, 2008 Audited		
	Classified Advances	Provision Required (Domestic)	Provision Held	Classified Advances	Provision Required (Domestic)	Provision Held
Substandard	1,741,339	318,601	318,601	2,690,610	303,455	303,455
Doubtful	1,010,949	339,574	339,574	2,081,799	459,526	459,526
Loss	9,360,995	5,794,983	5,794,983	8,072,816	6,326,789	6,326,789
	12,113,283	6,453,158	6,453,158	12,845,225	7,089,770	7,089,770

5.2 Particulars of provision against non-performing advances

	September 30, 2009 Un-Audited			December 31, 2008 Audited		
	Specific	General	Total	Specific	General	Total
Opening balance	7,089,770	10,249	7,100,019	5,518,432	22,412	5,540,844
Reclassification of provision against other assets	(149,989)	-	(149,989)	-	-	-
	6,939,781	10,249	6,950,030	5,518,432	22,412	5,540,844
Charge for the period	866,428	-	866,428	2,608,208	-	2,608,208
Reversals	(1,273,449)	(4,927)	(1,278,376)	(944,894)	(12,163)	(957,057)
Net Charge / (reversals) for the period	(407,021)	(4,927)	(411,948)	1,663,314	(12,163)	1,651,151
Amounts written off	(79,602)	-	(79,602)	(91,976)	-	(91,976)
Closing Balance	6,453,158	5,322	6,458,480	7,089,770	10,249	7,100,019

5.3 General provision against consumer finance loans represents provision made equal to 1.5% of the fully secured performing portfolio and 5% of the unsecured performing portfolio as required by the Prudential Regulations issued by the SBP for Consumer Financing.

5.4 Subsequent to quarter end September 30, 2009, State Bank of Pakistan has amended Prudential Regulations No. R-8 , R-11 and R-22 through BSD Circular No. 10 dated October 20, 2009. As a consequence, 40% benefit on account of forced sales value (FSV) of pledged stock and mortgaged residential, commercial and industrial properties (land and building only) held as collateral against non-performing loan has been allowed effective from September 30, 2009. This is applicable for three years from the date of classification for calculating provisioning requirement. Earlier, the said benefit was restricted to 30% only on pledge stock, residential and commercial properties vide BSD Circular No. 02 dated January 27, 2009. Had the benefit of the said new circular not been availed by the bank in this quarter, net charge for the provisions would have been higher than by an amount of Rs 582.5 million and loss after tax would have been higher by Rs 378.7 million

5.5 The SBP Inspection Report as at June 30, 2008 had identified provisions required against non-performing loans and other assets at Rs. 3,749.670 million. However, SBP has allowed the Bank to provide provisions of Rs. 1,749.67 million by December 31, 2009. Had the provision of Rs. 1,749.67 million has been recognized at September 30, 2009, the loss after tax would have been higher by Rs 1,137 million and capital adequacy ratio lower by 3.96%. The Bank has committed to inject funds to meet the Minimum Capital Requirements as per BSD Circular No. 7 dated April 17, 2009 till December end 2009.

Notes to the Financial Statements

6 SHARE CAPITAL

Authorized capital

September 30, 2009 (Un-Audited)	December 31, 2008 (Audited)	September 30, 2009 (Un-Audited)	December 31, 2008 (Audited)
Number of shares in '000			Rupees in '000
2,500,000	2,500,000	25,000,000	25,000,000

Ordinary shares of Rs. 10 each.

Issued, subscribed and paid up share capital

September 30, 2009 (Un-Audited)	December 31, 2008 (Audited)	September 30, 2009 (Un-Audited)	December 31, 2008 (Audited)
Number of shares in '000			Rupees in '000
800,315	800,315	8,003,150	8,003,150
100,000	100,000	1,000,000	1,000,000
900,315	900,315	9,003,150	9,003,150

Fully paid up ordinary shares of Rs. 10 each
Fully paid up ordinary shares of Rs. 10 each
issued at a discount of Rs. 2.5 per share

7 CONTINGENCIES AND COMMITMENTS

September 30, 2009 (Un-Audited)	December 31, 2008 (Audited)
7.1 Direct credit substitutes	-
7.2 Transaction-related contingent liabilities	
Guarantees favouring	
Government	3,917,106
Banking companies and other financial institutions	48,482
Others	1,336,518
	3,948,414
	90,442
	1,293,072
7.3 Trade-related contingent liabilities	
Letters of Credit & Acceptances	3,964,495
	2,923,902
7.4 Claims against the bank not acknowledged as debt	
	207,607
	186,875
7.5 Commitments in respect of :	
Forward Exchange contracts with State Bank of	
Pakistan, banks and other institutions	
Sale	949,897
Purchase	2,233,215
	3,190,282
	4,328,077
7.6 Commitments in respect of :	
Property civil work & equipment	101,826
Purchase of software	208,569
	388,052
	50,162

Notes to the Financial Statements

8. TAXATION

During the period, amendments were brought in through Finance Act 2009 regarding allowance of provision against non performing loans and off balance sheet exposures applicable from Tax year 2010 (accounting year December 31, 2009) and onwards. The Bank has accounted for these in the tax computation for the period, therefore, in accordance with the law, provision under the category of doubtful and loss category have been treated as allowed subject to a maximum limit of 1% of advances. The Bank is confident that disallowances on account of provisions against non-performing loans relating to prior periods, would be allowed to the bank. Further the bank management, based on current future projections consider that there would be adequate future profits against which the deferred tax assets would be realized.

9. RELATED PARTY TRANSACTIONS

Related parties comprise of directors, major shareholders of the Bank and the companies owned by such shareholders, entities owned by the directors of the bank, companies where directors of the bank also hold directorship, key employees and entities that have key management personnel in common.

Transactions with the related parties are executed substantially on the same terms, including mark-up rates and collaterals as those prevailing at the time for comparable transaction with the unrelated parties and do not involve more than a normal risk (i.e. under the Comparable Uncontrolled Price Method).

Other than those transactions which are made under the terms of employment, the majority of the transactions with related parties comprise of loans and advance, deposits, issuance of letter of credits and guarantees.

Advances for the house building, conveyance and for personal use have also been provided to the staff and executives at the reduced rates in accordance with the employment and pay policy. Facility of group life insurance and hospitalization insurance is also provided to staff and executives. In addition to this, executives of the Bank have been provided with Bank maintained car.

Details of transactions with related parties and balances with them as at the period-end were as follows:

	September 30, 2009 Un-Audited			December 31, 2008 Audited		
	Directors	Key Management Personnel	Associated Companies & Common Directorship	Directors	Key Management Personnel	Associated Companies & Common Directorship
Balances						
Loans						
Outstanding at the beginning of the period	-	1,666	-	-	2,625	64,833
Loans given during the period	-	3,355	-	-	1,605	-
Loans repaid during the period	-	(3,164)	-	-	(2,564)	(64,833)
Loans outstanding at the end of the period	-	1,857	-	-	1,666	-
Deposits						
Deposits at the beginning of the period	6,915	105,632	20,755	1,141	32,936	219,564
Deposit received during the period	104,545	627,315	977,080	211,809	1,392,047	10,261,430
Deposit repaid during the period	(110,111)	(681,298)	(950,630)	(206,035)	(1,319,351)	(10,460,239)
Deposit at the end of the period	1,349	51,649	47,205	6,915	105,632	20,755

Notes to the Financial Statements

Rupees in '000

	September 30, 2009 Un-Audited			December 31, 2008 Audited		
	Directors	Key Management Personnel	Associated Companies & Common Directorship	Directors	Key Management Personnel	Associated Companies & Common Directorship
Subordinated loan	-	-	-	-	-	-
Letter of credit and acceptance	-	-	-	-	-	601
Investment in Term Finance Certificates	-	-	-	-	-	9,193
Forward foreign exchange contracts	-	-	-	-	-	-
Transactions						
Short term employment benefits	-	236,578	-	-	247,919	-
Termination benefits	-	17,458	-	-	56,327	-
Mark-up and commission earned	-	123	-	-	116	6,923
Mark-up and commission paid	262	4,035	2,608	166	1,716	39,861
Brokerage paid	-	-	-	-	-	-
Revaluation & exchange income	-	-	-	-	-	(1,182)
Rent Income	-	-	-	-	-	57
Services Rendered	-	-	98,257	-	10,078	-
Software Procured	-	-	-	-	3,738	-

10. SUBSEQUENT EVENTS

There were no significant adjustable events subsequent to September 30, 2009, that might require an adjustment to these condensed interim financial statements or that may require disclosure and have not already been disclosed in these financial statements.

11. DATE OF AUTHORISATION FOR ISSUE

The financial statements were authorised for issuance on October 28, 2009 by the Board of Directors of the Bank.

12. GENERAL

Figures have been rounded off to the nearest thousand rupees.


Azmat Tarin
President & Chief Executive


Munnawar Hamid, OBE
Chairman


Arif Mahmood Ali
Director


Humayun Bashir
Director

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