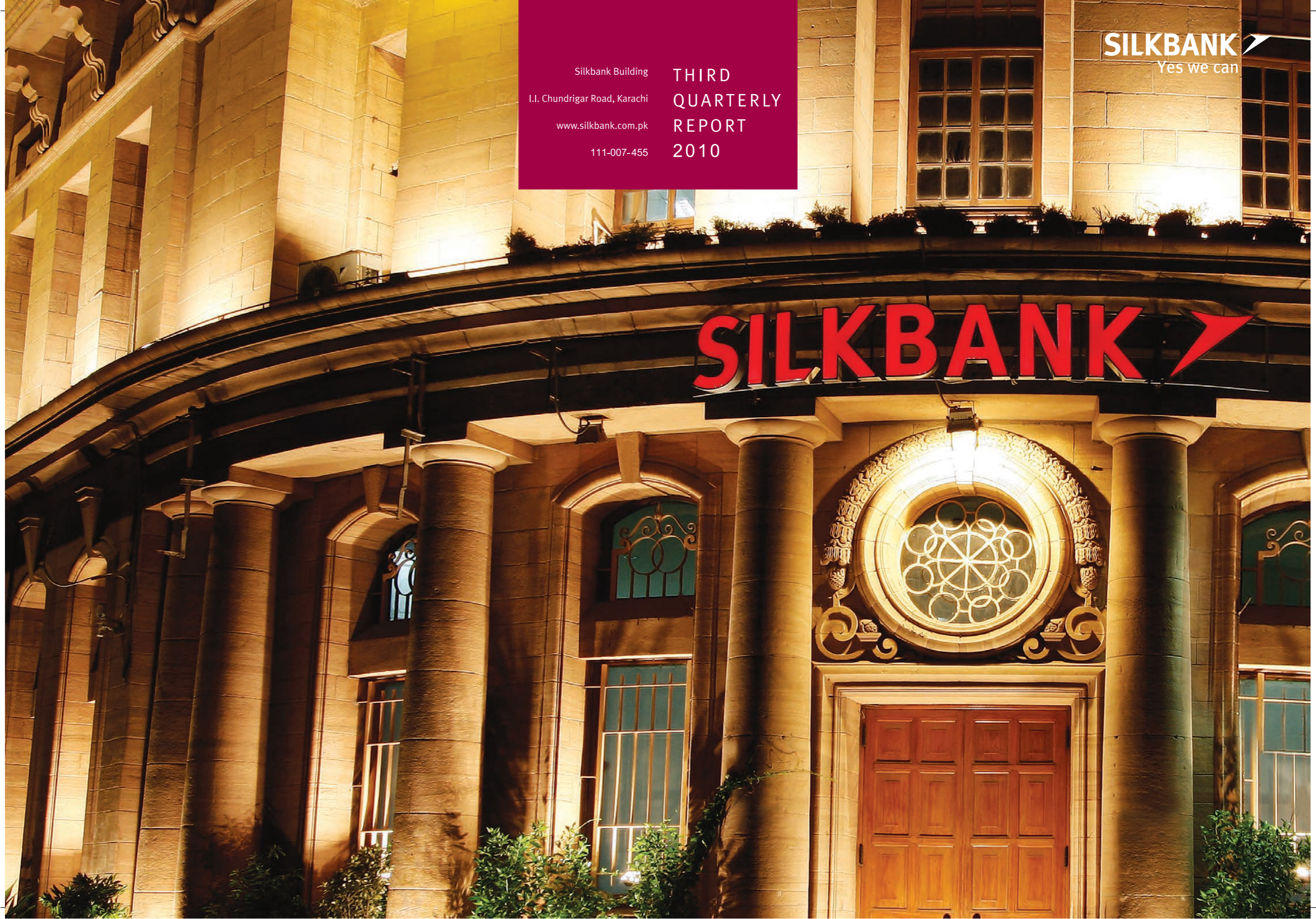


Silkbank Building  
I.I. Chundrigar Road, Karachi  
www.silkbank.com.pk  
111-007-455

THIRD  
QUARTERLY  
REPORT  
2010

**SILKBANK**  
Yes we can

**SILKBANK** 



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## Corporate Information

### Board of Directors

Munnawar Hamid, OBE  
Humayun Bashir  
Javed Hamid  
Sadeq Sayeed  
Arshad Ghafur  
Shaukat Tarin  
Azmat Tarin

Chairman  
Director  
Director  
Director  
Director  
Director  
President & CEO

### Company Secretary

Syed Liaquat Ali, FCA

### Audit Committee

Humayun Bashir  
Sadeq Sayeed  
Arshad Ghafur

Chairman  
Member  
Member

### Risk Committee

Arshad Ghafur  
Humayun Bashir  
Javed Hamid

Chairman  
Member  
Member

### Human Resources Committee

Munnawar Hamid, OBE  
Javed Hamid  
Shaukat Tarin  
Azmat Tarin

Chairman  
Member  
Member  
Member

### Senior Management Committee (SMC)

Azmat Tarin  
Aneeq Khawar  
Jamil A. Khan  
Kasim Feroze Khan  
Goharulayn Afzal  
Talha Saeed  
Syed Liaquat Ali  
Syed Jawaid Akhter  
Sumbul Munir  
Shafaq Rahid

President & CEO  
Chief Operating Officer  
Group Head Compliance, Legal & ICD  
Group Head Special Assets Management  
Group Head Marketing and Strategic Planning  
Group Head Retail Banking  
CFO & Company Secretary  
Head of Internal Audit  
Head of Corporate & Investment Banking  
Head of Customer Satisfaction & Quality

## Corporate Information

### Auditors

Anjum Asim Shahid Rahman  
Chartered Accountants

### Legal Advisor

Cornelius, Lane & Mufti

### Registered Office

Silkbank Limited  
Silkbank Building, I.I. Chundrigar Road, Karachi.  
Telephone No.: +92 21-111-00-7455 Ext. 414 & 436  
Fax No.: +92 21 32460464 & 32462902  
Website: www.silkbank.com.pk

### Share Registrar

Noble Computer Services (Pvt.) Limited  
Mezzanine Floor, House of Habib Building (Siddiqsons Tower),  
3-Jinnah Cooperative Housing Society, Main Shahrah-e-Faisal  
Karachi - 75350.  
Telephone No.: + 92 21 34325482-87  
Fax No.: + 92 21 34325442  
E-mail: ncsl@noble-computers.com  
Website: www.noble-computers.com

## Directors' Review Report September 30, 2010

### Dear Shareholders,

We are pleased to present the un-audited financial statements of Silkbank Limited for the third quarter ended September 30, 2010.

### Economic Review

The GDP growth rate is expected to settle at around 2% for the year down from the pre-flood forecast of 4%, with Agriculture sector posting negative growth and industry a growth rate of about 3% to 4%. Inflation and interest rates have already started going up. However, the floods have also caused improved fertility of the land, which will have a positive impact on the agriculture produce going forward.

### Financial Performance

Summarized financial position for the quarter is as under:

	Rupees in Million 3rd Quarter September 2010
Loss before provision	589
Provisions (Net of Recoveries)	263
	852
Tax	56
Loss after tax	908
Loss per Share	(0.42)

The deposit growth was as under:

	Rupees in Million		
	30-09-2010	31-12-2009	Net Increase
<b>Current Accounts</b>	7,763	7,509	254
<b>Saving Accounts</b>	14,435	11,771	2,664
<b>Term Deposits</b>	28,490	27,050	1,440
<b>FCY Accounts</b>	4,241	3,280	961
<b>Total</b>	<b>54,929</b>	<b>49,610</b>	<b>5,319</b>

Advances since December 2009 also increased by Rs. 10.6 billion to Rs 51.2 billion, increasing the ratio of performing advances to NPLs. Net equity increased to Rs. 5.2 billion from Rs 1.7 billion resulting from subscription to the rights shares and gain on disposal of the properties.

Year to date net interest income recorded growth of 526% and non-interest income increased by 89% compared to the same period in the corresponding year, whilst Administrative Expenses including necessary development expenses such as new systems, branches, training and publicity increased by 19% in the same period.

### Operations

The Bank has continued to enhance its operational efficiency, as a result of which service standard at branches has significantly improved as also confirmed in various mystery shopping results. Low cost deposits (Current and Savings) have recorded good growth, and cost of funds has shown reduction. The focus on enhancing trade volumes and ancillary business has also yielded positive results. Regional infrastructure has been streamlined resulting in improved efficiency and better human resources utilization. The internal control function at branches has been strengthened by extending internal control review function to branches in addition to implementing internal/external audits and reviews by the compliance department. Training plans have been implemented across the Bank based on a Training Need Analysis (TNA), and different programs have been launched for the talent and efficiency recognition. While the total branches remained at 85, 4 branches were relocated to better sites.

## Directors' Review Report September 30, 2010

### New Products

The Bank will soon be introducing a Personal Loan Product. Work on the Credit Card project has extended into an advanced stage, and the Bank is also evaluating certain SME / Consumer and Remittance related products.

### Minimum Capital Requirement (MCR)

Although the Board has extended the subscription date of the unpaid rights to March 31, 2011, the Bank is expecting to be compliant on the minimum capital requirement required by the SBP at end of 2010.

### Board of Directors

Mr. Tariq Iqbal Khan, Ex Chairman National Investment Trust (NIT) has been appointed as a Director on the board of Silkbank Limited, subject to approval of State Bank of Pakistan, in order to fill the casual vacancy on the Board. We welcome Mr. Khan to the Board and look forward to benefiting from his outstanding professional experience in strengthening the Bank.

### Credit Rating

The long term entity rating of the Bank is A- (Single A Minus). The short term rating is A 2 (A Two), which has been placed under "Rating watch/positive status."


### Future Outlook

The future outlook remains positive. The Board and the management are conducting a detailed strategic session in December for 2011 and beyond, aiming at meeting the entity's goal to be a profitable institution creating value for all shareholders. As we look to the future, the Board will also be mindful of Silkbank's Mission, Vision and Core Values and enhancing the efficiency of the governance structure.

### Acknowledgement

We take this opportunity to express our deepest gratitude to our customers and business partners for their continued support and trust, and our sincere appreciation to the State Bank of Pakistan for their guidance and cooperation extended to the Bank. We are also equally thankful to our associates, staff and colleagues for their committed services to the Bank, and look forward to their support going forward.

For and on Behalf of the Board of  
Silkbank Limited

  
Munnawar Hamid, OBE  
Chairman

Karachi,  
October 27, 2010

## Condensed Interim Statement of Financial Position as at September 30, 2010

## Condensed Interim Profit and Loss Account Unaudited for the Quarter and Nine Months Ended September 30, 2010

	Note	Un-audited September 30, 2010	Audited December 31, 2009
Rupees in '000			
<b>ASSETS</b>			
Cash and balances with treasury banks		3,198,339	3,120,880
Balances with other banks		122,777	151,068
Lending to financial institutions		2,618,241	1,067,708
Investments	6	13,861,200	20,179,329
Advances	7	42,449,732	32,097,490
Operating fixed assets	8	2,415,322	3,720,695
Deferred tax assets (net)		4,173,502	3,976,149
Other assets		3,988,088	4,351,022
		<b>72,827,201</b>	<b>68,664,341</b>
<b>LIABILITIES</b>			
Bills payable		856,269	637,602
Borrowings from financial institutions		10,595,251	15,088,332
Deposits and other accounts		54,928,220	49,610,034
Liabilities against assets subject to finance lease		8,537	10,476
Other liabilities		1,198,796	1,554,808
		<b>67,587,073</b>	<b>66,901,252</b>
<b>NET ASSETS</b>			
		<b>5,240,128</b>	<b>1,763,089</b>
<b>REPRESENTED BY</b>			
Share capital	9	26,716,048	9,003,150
Reserves		7,463	224,649
Discount on issue of rights shares		(13,284,674)	-
Accumulated loss	10	(8,191,110)	(9,030,894)
		<b>5,247,727</b>	<b>196,905</b>
Surplus on revaluation of assets (net of tax)	11	(7,599)	1,566,184
		<b>5,240,128</b>	<b>1,763,089</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
12			

The annexed notes from 1 to 19 form an integral part of these financial statements.

	Quarter ended July 01 to September 30, 2010	July 01, 2009 to September 30, 2009	Nine months ended January 01, 2010 to September 30, 2010	January 01, 2009 to September 30, 2009
Rupees in '000				
Mark-up/return/interest earned	1,766,205	1,507,247	4,960,169	4,388,509
Mark-up/return/interest expensed	1,504,023	1,512,186	4,417,778	4,301,811
<b>Net mark-up/ interest earned</b>	<b>262,182</b>	<b>(4,939)</b>	<b>542,391</b>	<b>86,698</b>
(Reversal) / Provision against non-performing loans and advances - net	260,912	(686,047)	296,691	(407,021)
(Reversal) / Provision against consumer finance	2,787	(867)	9,958	(4,927)
Diminution/(reversal) in the value of investments	-	-	-	1,598
Impairment of Available-for-Sale investments	-	29,487	-	131,380
Bad debts written off directly	-	-	-	-
	<b>263,699</b>	<b>(657,427)</b>	<b>306,649</b>	<b>(278,970)</b>
<b>Net mark-up / interest income/(loss) after provisions</b>	<b>(1,517)</b>	<b>652,488</b>	<b>235,742</b>	<b>365,668</b>
<b>NON MARK-UP/INTEREST INCOME</b>				
Fee, commission and brokerage income	78,314	71,112	243,335	250,479
Dividend income	6,682	3,741	22,668	22,683
Income from dealing in foreign currencies	38,581	17,525	107,488	89,097
(Loss)/Gain on sale of investments - net	(103,182)	14,986	(74,232)	82,030
Unrealized (loss)/gain on revaluation of investments classified as Held-for-Trading	792	899	-	(1,143)
Other income	37,918	34,430	718,814	95,017
<b>Total non-markup/interest income</b>	<b>59,105</b>	<b>142,693</b>	<b>1,018,073</b>	<b>538,163</b>
	<b>57,588</b>	<b>795,181</b>	<b>1,253,815</b>	<b>903,831</b>
<b>NON MARK-UP/INTEREST EXPENSES</b>				
Administrative expenses	908,023	682,403	2,235,356	1,879,129
Other provisions / write offs	(322)	-	(153,464)	-
Other charges	2,268	(30)	2,802	15,881
<b>Total non-markup/interest expenses</b>	<b>909,969</b>	<b>682,373</b>	<b>2,084,694</b>	<b>1,895,010</b>
<b>PROFIT/(LOSS) BEFORE TAXATION</b>	<b>(852,381)</b>	<b>112,808</b>	<b>(830,879)</b>	<b>(991,179)</b>
Taxation - Current	56,025	9,728	59,456	32,435
- Prior years	-	-	-	-
- Deferred	-	325,668	(190,000)	307,033
	<b>56,025</b>	<b>335,396</b>	<b>(130,544)</b>	<b>339,468</b>
<b>(LOSS) AFTER TAXATION</b>	<b>(908,406)</b>	<b>(222,588)</b>	<b>(700,335)</b>	<b>(1,330,647)</b>
		<b>Rupee</b>		
Profit / (Loss) per share - Basic and Diluted	<b>(0.42)</b>	<b>(0.20)</b>	<b>(0.32)</b>	<b>(1.17)</b>

The annexed notes from 1 to 19 form an integral part of these financial statements.

Sd/-  
Chairman

Sd/-  
Director

Sd/-  
Director

Sd/-  
Director

Sd/-  
Chairman

Sd/-  
Director

Sd/-  
Director

Sd/-  
Director

Condensed Interim Statement of Comprehensive Income  
Unaudited for the Quarter and Nine Months Ended September 30, 2010

	Quarter Ended		Nine months Ended	
	July 01 to September 30, 2010	July 01 to September 30, 2009	January 01 to September 30, 2010	January 01 to September 30, 2009
	Rupees in '000			
<b>Profit / (Loss) for the period</b>	<b>(908,406)</b>	<b>(222,588)</b>	<b>(700,335)</b>	<b>(1,330,647)</b>
<b>Other comprehensive income</b>				
Reversal of provision against upgraded rescheduled advances	-	-	1,370	-
<b>Total comprehensive (loss) for the Period</b>	<b>(908,406)</b>	<b>(222,588)</b>	<b>(698,965)</b>	<b>(1,330,647)</b>

Surplus / deficit on revaluation of 'available-for-sale' securities and 'fixed assets' are presented under a separate head below equity as 'surplus / deficit on revaluation of assets' in accordance with the requirements specified by the State Bank of Pakistan vide its BSD circular 20 dated August 04, 2000 and BSD circular 10 dated July 13, 2004 and Companies Ordinance, 1984 respectively.

The annexed notes from 1 to 19 form an integral part of these financial statements.

Sd/-  
Chairman

Quarterly Report 07

Sd/-  
Director

Sd/-  
Director

Sd/-  
Director

Condensed Interim Cash Flow Statement  
Unaudited for the Nine Months Ended September 30, 2010

	September 30, 2010	September 30, 2009
		Rupees in '000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(830,879)	(991,179)
Add: Dividend Income	(22,668)	(22,683)
	<b>(853,547)</b>	<b>(1,013,862)</b>
<b>Adjustments for non-cash items</b>		
Depreciation	212,707	161,436
Amortization of premium on investment	177,918	143,220
Amortization of intangible assets	26,548	6,479
Provision against non-performing advances	296,691	(407,021)
Provision / (Reversal) of provision against consumer finance	9,958	(4,927)
Provision for diminution in Investment	-	1,597
Unrealized Loss on revaluation of investments classified as Held for Trading	-	1,142
Impairment of investment classified as Available for Sale	-	131,380
Provision for Gratuity	4	18,448
Other (reversal) / provisions written back	(153,464)	-
(Gain) on sale of fixed assets	(567,255)	(7,716)
Financial charges on leased assets	959	3,879
	<b>4,066</b>	<b>47,917</b>
	<b>(849,481)</b>	<b>(965,946)</b>
<b>(Increase)/ Decrease in operating assets</b>		
Lendings to financial institutions	(1,714,154)	75,500
Net investments in Held-for-Trading securities	1,782,703	(73,161)
Advances	(10,658,891)	(1,579,503)
Other assets (excluding advance taxation)	362,934	(1,762,281)
	<b>(10,227,408)</b>	<b>(3,339,445)</b>
<b>Increase/ (Decrease) in operating liabilities</b>		
Bills payable	218,667	193,146
Borrowings from financial institutions	(4,493,081)	5,034,456
Deposits	5,318,186	6,385,161
Other liabilities	(398,677)	230,289
	<b>645,095</b>	<b>11,843,052</b>
	<b>(10,431,793)</b>	<b>7,537,662</b>
Income tax paid	(103,105)	(32,435)
<b>Net cash flow from operating activities</b>	<b>(10,534,898)</b>	<b>7,505,226</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investment in Available-for-Sale securities	3,898,973	(6,892,627)
Net investment in Held-to-Maturity securities	383,637	(726,513)
Dividend Income	22,668	22,683
Sale proceeds of property & equipment disposed off	2,472,895	18,275
Investment in operating fixed assets	(556,985)	(467,601)
<b>Net cash flow from investing activities</b>	<b>6,221,188</b>	<b>(8,045,783)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Payments of lease obligations	(2,898)	(27,020)
Expenses on account of rights shares	(183,817)	-
Issue of rights shares	4,428,224	-
<b>Net cash flow from financing activities</b>	<b>4,241,509</b>	<b>(27,020)</b>
<b>Increase/(Decrease) in cash and cash equivalents</b>	<b>(72,201)</b>	<b>(567,577)</b>
Cash and cash equivalents at January 01,	4,021,948	4,561,415
<b>Cash and cash equivalents at September 30,</b>	<b>3,949,746</b>	<b>3,993,838</b>

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The annexed notes from 1 to 19 form an integral part of these financial statements.

Sd/-  
Chairman

Sd/-  
Director

Sd/-  
Director

Sd/-  
Director

Quarterly Report 08

## Condensed Interim Statement of Changes In Equity for the Nine Months Ended September 30, 2010

## Notes to the Condensed Interim Financial Statements for the Nine Months Ended September 30, 2010

	Share Capital	Discount on Issuance of Shares	Share Deposit Money	* Statutory Reserves	Others	Accumulated Profit / (Loss)	Net Equity
	Rupees in '000						
<b>Balance as at January 01, 2009</b>	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 from surplus on revaluation of fixed assets on account of incremental depreciation- net of tax	-	-	-	-	-	2,790	2,790
<b>Balance as at September 30, 2009-Unaudited</b>	9,003,150	-	-	218,556	-	(7,459,566)	1,762,140
(Loss) for the three months after taxation	-	-	-	-	-	(1,572,258)	(1,572,258)
Reversal of provision against upgraded rescheduled advances	-	-	-	-	6,093	-	6,093
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation- net of tax	-	-	-	-	-	930	930
<b>Balance as at December 31, 2009-Audited</b>	<b>9,003,150</b>	-	-	<b>218,556</b>	<b>6,093</b>	<b>(9,030,894)</b>	<b>196,905</b>
(Loss) for the nine months after taxation	-	-	-	-	-	(700,335)	(700,335)
Other comprehensive income	-	-	-	-	1,370	-	1,370
Share deposit money for issue of rights shares	-	-	4,428,224	-	-	-	4,428,224
Share deposit money utilized for issue of rights shares	-	-	(4,428,224)	-	-	-	(4,428,224)
Issue of rights shares	17,712,898	-	-	-	-	-	17,712,898
Discount on issue of rights shares	-	(13,284,674)	-	-	-	-	(13,284,674)
Transfer from Statutory Reserve to Retained Earnings	-	-	-	(218,556)	-	218,556	-
Expenses incurred on account of rights issue	-	-	-	-	-	(183,817)	(183,817)
Transfer from surplus on revaluation of fixed assets on disposal of assets	-	-	-	-	-	1,502,591	1,502,591
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation- net of tax	-	-	-	-	-	2,789	2,789
<b>Balance as at September 30, 2010-Unaudited</b>	<b>26,716,048</b>	<b>(13,284,674)</b>	-	-	<b>7,463</b>	<b>(8,191,110)</b>	<b>5,247,727</b>

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

The annexed notes from 1 to 19 form an integral part of these financial statements.

### 1. STATUS AND NATURE OF BUSINESS

SilkBank 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. It's 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 85 branches (December 31, 2009: 82) 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 is 'A-2' and 'A-' respectively.

Majority shareholding 84.21% (December 31, 2009: 86.69%) in the Bank as on September 30, 2010 hold by a consortium comprising of Bank Muscat S.A.O.G, Nomura European Investment Limited, International Finance Corporation (IFC) and executives of the Sinthos Capital Advisors Limited. As a result of a rights issue which is in process of subscription, the majority shareholding in the Bank may change upon full subscription towards the rights.

### 2. BASIS OF PRESENTATION

In accordance with the directives of the Federal Government regarding shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) 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 markup in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

### 3. BASIS OF MEASUREMENT

This condensed interim financial information comprise condensed interim statement of financial position, condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity together with explanatory notes have been prepared under the historical cost convention except that certain fixed assets are stated at revalued amounts, certain investments are stated at market value, derivative financial instruments have been marked to market and certain staff retirement benefits are carried at present value.

This condensed interim financial information have been prepared following the accrual basis of accounting except for the cash flow information.

### 4. STATEMENT OF COMPLIANCE

This condensed interim financial information of the Bank for the nine months ended September 30, 2010 has been prepared in accordance with the requirements of International Accounting Standard 34, 'Interim Financial Reporting', requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the provisions of and directives issued by the State Bank of Pakistan (SBP) and Securities and Exchange Commission of Pakistan (SECP). In case requirements differ, the provisions of Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirement of said directives have been followed.

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.

Sd/-  
Chairman

Sd/-  
Director

Sd/-  
Director

Sd/-  
Director

## Notes to the Condensed Interim Financial Statements for the Nine Months Ended September 30, 2010

These condensed interim financial statements are unaudited and are being submitted to the shareholders in accordance with section 245 of the Companies Ordinance, 1984.

### 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Preparation of the condensed interim financial information requires management to make judgments, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the condensed interim financial information, the significant judgments made by the management in applying the company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended December 31, 2009.

### 6. INVESTMENTS

As at September 30, 2010-Unaudited

As at December 31, 2009-Audited

Note	Held by bank	Given as collateral	Total
	Rupees in '000		
6.1	8,496,031	5,365,169	13,861,200
	8,657,879	11,521,450	20,179,329

September 30, 2010-Unaudited			December 31, 2009-Audited		
Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
Rupees in '000					
-	-	-	1,782,703	-	1,782,703
4,738,143	-	4,738,143	1,540,148	3,759,550	5,299,698
3,942,289	5,365,169	9,307,458	5,444,531	7,761,900	13,206,431
75,000	-	75,000	75,000	-	75,000
<b>8,755,432</b>	<b>5,365,169</b>	<b>14,120,601</b>	<b>8,842,382</b>	<b>11,521,450</b>	<b>20,363,832</b>

#### 6.1 Investments by type:

Held-for-Trading securities	-	-	-	1,782,703	-	1,782,703
Held-to-Maturity securities	4,738,143	-	4,738,143	1,540,148	3,759,550	5,299,698
Available-for-Sale securities	3,942,289	5,365,169	9,307,458	5,444,531	7,761,900	13,206,431
Investment in Associate	75,000	-	75,000	75,000	-	75,000
<b>Investment at cost</b>	<b>8,755,432</b>	<b>5,365,169</b>	<b>14,120,601</b>	<b>8,842,382</b>	<b>11,521,450</b>	<b>20,363,832</b>
Less: Provision for diminution in value of investments	(85,137)	-	(85,137)	(85,137)	-	(85,137)
<b>Investments-net of provision</b>	<b>8,670,295</b>	<b>5,365,169</b>	<b>14,035,464</b>	<b>8,757,245</b>	<b>11,521,450</b>	<b>20,278,695</b>
(Deficit) / Gain on revaluation of						
Held-for-Trading securities	-	-	-	69	-	69
Available-for-Sale securities	(174,264)	-	(174,264)	(99,435)	-	(99,435)
<b>Total Investments at market value</b>	<b>8,496,031</b>	<b>5,365,169</b>	<b>13,861,200</b>	<b>8,657,879</b>	<b>11,521,450</b>	<b>20,179,329</b>

## Notes to the Condensed Interim Financial Statements for the Nine Months Ended September 30, 2010

### 6.2 Investments by segments

#### Federal Government Securities

Market treasury bills  
Pakistan investment bonds

#### Fully paid-up ordinary shares

Listed companies  
Unlisted companies

#### Term Finance Certificates, Debentures, Bonds and Participation Term Certificates

Term finance certificates - Listed  
- Unlisted

#### Other investments

Mutual fund units  
Preference shares - Listed  
- Unlisted  
Investment in commercial papers  
Investment in associate  
Shares repo

#### Total investments at cost

Provision for diminution in the value of investments

#### Investments - net of provision

Deficit on revaluation of held for trading investments  
Deficit on revaluation of available for sale investments

#### Total Investment at market value

### 7. ADVANCES - NET

Loans, cash credits, running finances, etc.

In Pakistan  
Outside Pakistan

Bills discounted and purchased (excluding treasury bills)

Payable in Pakistan  
Payable outside Pakistan

#### Advance gross

Provision for non-performing advances - specific  
Provision against consumer finance - general

#### Advances net of provisions

Note	September 30, 2010 Un-audited	December 31, 2009 Audited
	Rupees in '000	
	4,668,242	9,029,855
	6,634,500	8,759,005
	<b>11,302,742</b>	<b>17,788,860</b>
	251,729	174,758
	65,680	65,680
	<b>317,409</b>	<b>240,438</b>
	222,829	252,130
	1,800,839	1,786,910
	<b>2,023,668</b>	<b>2,039,040</b>
	282,334	54,542
	44,538	44,538
	-	-
	-	46,504
	75,000	75,000
	74,910	74,910
	<b>476,782</b>	<b>295,494</b>
	<b>14,120,601</b>	<b>20,363,832</b>
	(85,137)	(85,137)
	<b>14,035,464</b>	<b>20,278,695</b>
	-	69
	(174,264)	(99,435)
	<b>13,861,200</b>	<b>20,179,329</b>
	49,887,269	39,637,979
	-	-
	<b>49,887,269</b>	<b>39,637,979</b>
	282,319	296,655
	1,040,991	657,460
	<b>1,323,310</b>	<b>954,115</b>
	<b>51,210,580</b>	<b>40,592,094</b>
7.2	(8,746,443)	(8,490,158)
7.2	(14,404)	(4,446)
	<b>42,449,732</b>	<b>32,097,490</b>



Notes to the Condensed Interim  
Financial Statements For the Nine Months Ended September 30, 2010

7.1 Advances include Rs.12,533 million (2009: Rs.11,891 million) which have been placed under non-performing status as detailed below:

Category of classification - specific	September 30, 2010-Unaudited			December 31, 2009-Audited		
	Classified Advances	Provision Required (Domestic)	Provision held	Classified Advances	Provision Required (Domestic)	Provision held
	Rupees in '000					
Substandard	642,594	44,323	44,323	457,149	103,196	103,196
Doubtful	905,213	305,554	305,554	1,054,404	263,384	263,384
Loss	10,985,398	8,396,565	8,396,565	10,379,875	8,123,578	8,123,578
	<b>12,533,205</b>	<b>8,746,443</b>	<b>8,746,443</b>	<b>11,891,428</b>	<b>8,490,158</b>	<b>8,490,158</b>

7.2 Particulars of provision against non-performing advances

	September 30, 2010-Unaudited			December 31, 2009-Audited		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	8,490,158	4,446	8,494,604	7,089,770	10,249	7,100,019
Reclassification of provision against other assets	-	-	-	(323,097)	-	(323,097)
	<b>8,490,158</b>	<b>4,446</b>	<b>8,494,604</b>	<b>6,766,673</b>	<b>10,249</b>	<b>6,776,922</b>
Charge for the period	712,015	9,958	721,973	3,272,861	-	3,272,861
Reversals	(416,694)	-	(416,694)	(1,108,216)	(5,803)	(1,114,019)
Net Charge / (reversals)	295,321	9,958	305,279	2,164,645	(5,803)	2,158,842
Written off	(39,036)	-	(39,036)	(441,160)	-	(441,160)
Closing Balance	<b>8,746,443</b>	<b>14,404</b>	<b>8,760,847</b>	<b>8,490,158</b>	<b>4,446</b>	<b>8,494,604</b>

7.3 Reversal for the nine months

	September 30, 2010 Un-audited	December 31, 2009 Audited
Reversal charged to profit and loss statement	416,694	1,108,216
Reversal made directly to equity as capital reserve	1,370	6,093
Net reversal	<b>418,064</b>	<b>1,114,309</b>

7.4 Net charge during the nine months - specific provisioning

	September 30, 2010 Un-audited	December 31, 2009 Audited
Net charge classified to profit and loss account	296,691	2,170,738
Less: Reversal made directly to the equity as capital reserve	(1,370)	(6,093)
Net increase in provision against non-performing advances	<b>295,321</b>	<b>2,164,645</b>

7.5 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.

Notes to the Condensed Interim  
Financial Statements For the Nine Months Ended September 30, 2010

8 OPERATING FIXED ASSETS

8.1 Following additions / disposals have been made to / from property and equipment:

	September 30, 2010		September 30, 2009	
	Addition	Disposal	Addition	Disposal
	Rupees in '000			
Land-Free Hold	146,232	535,735	-	-
Building - Free Hold	10,576	64,000	-	-
Land - Lease Hold	-	1,196,568	-	-
Building Lease Hold	-	103,600	-	-
Leasehold improvements	215,177	-	82,741	4,834
Furniture & fixture	78,212	-	23,610	-
Other equipments	127,394	-	80,836	319
Computers	251,459	161	38,036	-
Vehicles	33,184	35,325	44,427	40,743
	<b>862,234</b>	<b>1,935,390</b>	<b>269,650</b>	<b>45,896</b>

8.2 Additions and disposals to intangible assets

Following additions / disposals have been made to / from intangible assets:

	September 30, 2010	September 30, 2009
Computer Software	468,792	9,007

8.3 Gain on disposal

	September 30, 2010			September 30, 2009		
	Sale Proceeds	Book Value	Gain / (Loss)	Sale Proceeds	Book Value	Gain / (Loss)
	Rupees in '000					
Vehicles	22,693	17,463	5,230	17,971	10,177	7,794
Other Equipment	76	4	72	44	20	24
Computer Equipment	126	139	(13)	-	-	-
Land and building	2,450,000	1,888,032	561,968	-	-	-
Renovation	-	-	-	260	3,787	(3,527)
	<b>2,472,895</b>	<b>1,905,638</b>	<b>567,257</b>	<b>18,275</b>	<b>13,984</b>	<b>4,291</b>

8.4 During the period, the management has implemented Core Banking Software T-24. Useful life of core banking software and its allied hardware is determined to be seven years and four years respectively.

Notes to the Condensed Interim  
Financial Statements For the Nine Months Ended September 30, 2010

9. SHARE CAPITAL

Authorized capital

September 30, 2010 Unaudited	December 31, 2009 Audited		September 30, 2010 Unaudited	December 31, 2009 Audited
No. of shares in '000			Rupees in '000	
4,000,000	4,000,000	Ordinary shares of Rs. 10 each.	40,000,000	40,000,000

Issued, subscribed and paid up share capital

September 30, 2010 Unaudited	December 31, 2009 Audited		September 30, 2010 Unaudited	December 31, 2009 Audited
No. of shares in '000			Rupees in '000	
800,315	800,315	Fully paid up ordinary shares of Rs. 10 each.	8,003,150	8,003,150
100,000	100,000	Fully paid up ordinary shares of Rs. 10 each issued at a discount of Rs. 2.5 per share	1,000,000	1,000,000
1,771,290	-	Fully paid up ordinary shares of Rs. 10 each issued at a discount of Rs. 7.5 per share	17,712,898	-
2,671,605	900,315		26,716,048	9,003,150

9.1 The State Bank of Pakistan requires each commercial bank to: (a) hold the minimum level of the regulatory capital (net of losses) to be raised to Rs.10 billion by the year ending December 31, 2013. The raise is to be achieved in phased manner requiring Rs.7 billion paid up capital (net of losses) by the end of the financial year 2010 and (b) maintain a ratio of total regulatory capital to the risk-weighted asset (the "Basel ratio") at or above the internationally agreed minimum of 10%.

The Bank had approved issuance of rights shares @311.00226% on December 2, 2009 at a discount of Rs.7.5 per share on the face value of Rs.10 each to generate net additional capital of Rs. 7 billion. These rights shares were subsequently taken up by the shareholders and by the close date Rs. 4.428 billion had been subscribed by the shareholders. The subscription of the remaining portion aggregating to Rs. 2.572 billion is to be completed on or before March 31, 2011.

10. ACCUMULATED LOSS

	September 30, 2010 Rupees in '000
Loss brought forward January 01, 2010	(9,030,894)
Transfer of reserve fund to accumulated loss	218,556
Realized surplus on revaluation of properties (Note 10.1)	1,502,591
Total comprehensive income for the nine months ended September 30,2010	(698,965)
Rights share issue cost	(183,817)
Reversal of provision against upgraded rescheduled advances	(1,370)
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation- net of tax	2,789
<b>Accumulated loss carried forward</b>	<b>(8,191,110)</b>

Notes to the Condensed Interim  
Financial Statements For the Nine Months Ended September 30, 2010

10.1 During the period the Bank has disposed of some of its properties. The resultant gain has been recorded in the books as under:

	September 30, 2010-Unaudited Rupees in '000
Realized surplus on revaluation of properties transferred to accumulated loss	1,502,591
Gain on disposal reflected in other income	561,968

11 SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS

	September 30, 2010-Unaudited	December 31, 2009-Audited
(Deficit) on revaluation of securities	(138,294)	(68,915)
Surplus on revaluation of property and equipments	130,695	1,635,099
	(7,599)	1,566,184

11.1 (Deficit) on revaluation of securities

	September 30, 2010-Unaudited	December 31, 2009-Audited
Federal Government securities	(101,019)	(87,199)
Quoted securities	(73,245)	(12,236)
Other securities	-	-
	(174,264)	(99,435)
Deferred tax asset recognised	35,970	30,520
	(138,294)	(68,915)

11.2 Surplus on revaluation of property and equipments

	September 30, 2010-Unaudited	December 31, 2009-Audited
Surplus on revaluation of properties	161,809	1,667,188
Deferred tax (liability) recognised	(31,114)	(32,089)
	130,695	1,635,099
	(7,599)	1,566,184

12 CONTINGENCIES AND COMMITMENTS

12.1 Direct credit substitutes

	September 30, 2010-Unaudited	December 31, 2009-Audited
	-	-

12.2 Transaction-related contingent liabilities

	September 30, 2010-Unaudited	December 31, 2009-Audited
Guarantees favouring		
Government	6,479,547	3,948,414
Banking companies and other financial institutions	182,111	90,442
Others	1,050,039	1,293,072

12.3 Trade-related contingent liabilities

	September 30, 2010-Unaudited	December 31, 2009-Audited
Letters of Credit & Acceptances	3,508,879	2,923,902

12.4 Claims against the bank not acknowledged as debt

	September 30, 2010-Unaudited	December 31, 2009-Audited
	207,607	186,875

12.4.1 The Bank had purchased a property of Rs. 68.882 million in Lahore in year 2006 for its own use. Although the builder has released the clearance letter in favor of the Bank but due to dispute between Military Estate Officer and builder in respect of area allotted for parking, the title documents of the property has not been transferred in Bank's name. The said property has therefore been classified as capital work in progress.

Notes to the Condensed Interim  
Financial Statements For the Nine Months Ended September 30, 2010

Notes to the Condensed Interim  
Financial Statements For the Nine Months Ended September 30, 2010

	September 30, 2010 Unaudited	December 31, 2009 Audited
Rupees in '000		
<b>12.5 Commitments in respect of:</b>		
Forward Exchange contracts with State Bank of Pakistan, banks and other institutions		
Sale	2,565,824	1,137,795
Purchase	3,906,066	3,190,282
	<u>6,471,890</u>	<u>4,328,077</u>
<b>12.6 Commitments in respect of:</b>		
Property civil work & equipment	44,659	388,052
Purchase of software	58,967	50,162
	<u>103,626</u>	<u>438,214</u>
<b>13. CASH AND CASH EQUIVALENTS</b>		
Cash and balances with treasury banks	3,198,339	2,981,030
Balances with other banks	122,777	237,808
Call money lendings	628,630	775,000
	<u>3,949,746</u>	<u>3,993,838</u>
<b>14. OTHER INCOME</b>		
Rent on property	5,629	3,447
Net profit on sale of property and equipment	615,012	7,718
Income from non-baking assets and profit from sale of or dealing with such assets	47,746	-
Recovery of expenses from customers	43,251	38,637
Others	7,176	45,215
	<u>718,814</u>	<u>95,017</u>

**15. TAXATION**

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws for taxation.

**16. 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, 2010-Unaudited			December 31, 2009-Audited		
Directors	Key Management Personnel	Associated Companies & Common Directorship	Directors	Key Management Personnel	Associated Companies & Common Directorship
Rupees in '000					
<b>Balances</b>					
<b>Loans</b>					
Outstanding at the beginning of the period	-	1,153	-	1,666	-
Loans given during the period	-	2,766	-	5,307	-
Loans repaid during the period	-	(3,913)	-	(5,820)	-
<b>Loans outstanding at the end of the period</b>	-	<b>6</b>	-	<b>1,153</b>	-
<b>Deposits</b>					
Deposits at the beginning of the period	2,469	57,861	36,830	6,915	105,632
Deposit received during the period	2,064,589	564,787	704,784	143,375	815,101
Deposit repaid during the period	(2,044,697)	(551,898)	(662,838)	(147,821)	(862,872)
<b>Deposit at the end of the period</b>	<b>22,361</b>	<b>70,750</b>	<b>78,776</b>	<b>2,469</b>	<b>57,861</b>
Letter of credit and acceptance	-	-	-	-	-
Investment in Term Finance Certificates	-	-	-	-	6,128

September 30, 2010-Unaudited			September 30, 2009-Unaudited		
Directors	Key Management Personnel	Associated Companies & Common Directorship	Directors	Key Management Personnel	Associated Companies & Common Directorship
Rupees in '000					
<b>Transactions</b>					
Short term employment benefits	-	208,995	-	236,578	-
Termination benefits	-	20,824	-	17,458	-
Mark-up and commission earned	-	70	-	123	1,407
Mark-up and commission paid	140	1,353	2,532	262	4,035
Services Rendered/ goods supplied	-	-	74,001	-	98,257
Software Procured	-	-	3,998	-	-

**17. SUBSEQUENT EVENTS**

There were no significant adjustable events subsequent to September 30, 2010, 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.

**18. DATE OF AUTHORISATION FOR ISSUE**

The financial statements were authorised for issuance on October 27, 2010 by the Board of Directors of the Bank.

**19. GENERAL**

Figures have been rounded off to the nearest thousand rupees.

Sd/-  
Chairman

Sd/-  
Director

Sd/-  
Director

Sd/-  
Director

## Branch Network

### ATTOCK

B-2, Pleader Lane, Attock City

### BAHAWALPUR

Near Fawara Chowk, Circular Road

### BATAPUR

Main G.T. Road

### DADYAL

315, Rajput Plaza, Main Rawalpindi Road

### DERA GHAZI KHAN

Fareedi Bazaar

### DINA

Chaudhry Street, Mangla Road

### FAISALABAD

Kotwali Road Branch

Kotwali Road

Madina Town Branch

6C-Z-101, Susan Road, Madina Town

### GUJJAR KHAN

Ward # 5, Main G.T. Road

### GUJRANWALA

B-13/7S-147, Shaukat Centre, G.T. Road

### GUJRAT

B-17/1553-R, Near Eidgah Masjid, G.T. Road

### HAZRO

Allah Wala Chowk, Circular Road

### HYDERABAD

F/17, Badri Manzil, Risala Road, Opp. Old Café George

### ISLAMABAD

Main Branch

93-Razia Sharif Plaza, Blue Area

E-11 Markaz Branch

Plot # 3, E-11/3 Markaz

F-7 Markaz Branch

Plot # 13-L, F-7/2 Markaz

F-8 Markaz Branch

Plot # 18-C, Kaghan Road, F-8 Markaz

F-11 Markaz Branch

Plot # 25-D, F-11 Markaz

G-9 Markaz Branch

4-B, Karachi Company, G-9 Markaz

I-8 Markaz Branch

Laraib Plaza, Sector I-8 Markaz

### JHELUM

Plot # 8, Paswal Plaza, G.T.S. Square, Jhelum City

### KARACHI

Main Branch

Silkbank Building, I.I. Chundrigar Road

Adamjee Nagar Branch

Sana Complex, C.P. Berar Society, Ameer Khusroo Road

Bahadurabad Branch

ZN Plaza, Bahadur Yar Jung Co-Operative Society Bahadurabad

Clifton Branch

Showroom 1, Plot # D-69, Block-7, Clifton

Cloth Market Branch

Khandwala Building, Fakhre Matri Road, Kharadar

Defence Branch

Shahbaz Commercial Area, Khayaban-e-Shahbaz, Phase-VI, D.H.A.

Defence Phase-IV Branch

91-E, 9th Commercial Street, Phase-IV, D.H.A.

F.B. Area Branch

C-31/A, Block-6, Federal 'B' Area, KDA, Scheme-16

### Gulshan-e-Iqbal Branch

Saima Classics, Main Rashid Minhas Road, Block-10/A, Gulshan-e-Iqbal

### Hyderi Branch

D-11, Block-H, Shershah Suri Road, North Nazimabad

### Jodia Bazaar Branch

6/16, Virjee Street, Jodia Bazaar

### Khalid Bin Waleed Road Branch

Shop # 1, 2, 3 & 4, Plot # 151-A, Khalid Bin Waleed Road / Allama Iqbal Road, Block-2, PECHS

### Khayaban-e-Ittehad Branch

Plot # 100-C, 11th Commercial Street, Main Khayaban-e-Ittehad, Phase-II Ext., D.H.A.

### Korangi Industrial Area Branch

Plot # 25, Sector 23, Korangi Industrial Area

### Korangi Road Branch

Arcadia Shopping Mall, Phase-I, D.H.A.

### M.A. Jinnah Road Branch

Wadhmal Odharam Quarters, Opp. City Court, M.A. Jinnah Road

### Saddar Branch

Snow White Centre, Main Abdullah Haroon Road, Saddar

### Shahrah-e-Faisal Branch

47-A, Dar-ul-Aman Housing Society, PECHS, Block 7/8, Shahrah-e-Faisal

### S.I.T.E. Branch

Plot # B/9-C-1, S.I.T.E.

### Sohrab Goth Branch

Al-Asif Square, Sohrab Goth

### 26th Street D.H.A. Branch

Plot # 23-C, Street-37, Tauheed Commercial Area, Phase-V, D.H.A.

### University Road Branch

B-9-10, Block-16, Main University Road, Gulshan-e-Iqbal

### Zamzama Branch

9-E, 8th Zamzama Commercial Lane, Zamzama, Clifton

### LAHORE

Main Branch

Silkbank House, 14-Egerton Road

Allama Iqbal Town Branch

6-Hunza Block, Allama Iqbal Town

Badami Bagh Branch

66, Grain Market, Badami Bagh

Cavalry Ground Branch

20, Commercial Area, Cavalry Ground

Circular Road Branch

73, Circular Road

D.H.A. Z-Block Branch

320-Z, Phase-III, Commercial Area, D.H.A.

Fortress Stadium Branch

Silver Star Complex, Fortress Stadium, Lahore Cantt.

Gulberg Branch

97-A/D-1, P.E.C. Building, Liberty Roundabout, Gulberg-III

Gulberg, Q-Block Branch

Plot # 6, Q-Block, Gulberg-II

Johar Town Branch

Plot # 15, Block-M, M.A. Johar Town

L-Block, Gulberg Branch

Plot # 52, L-Block, Gulberg-III

Model Town Branch

16, Bank Square Market, Model Town

New Garden Town Branch

1-4, Usman Block, New Garden Town

### PECO Road Branch

896-D, Faisal Town, PECO Road

### Shah Alam Market Branch

15-B, Shah Alam Market

### Shadman Town Branch

119-A, Colony # 1, Shadman Town

### T-Block, D.H.A. Branch

Plot # 88, Sector-CCA, Phase-2 C, D.H.A.

### Thokar Niaz Baig Branch

7-B, Judicial Colony, Raiwind Road, Thokar Niaz Baig

### Wapda Town Branch

Wapda Roundabout, PIA Employees Co-operative Housing Society

### LARKANA

Pakistan Chowk

### MANDI BAHAUDDIN

Qader Trade Centre, Ghallah Mandi

### MIRPUR AZAD KASHMIR

82-D, Allama Iqbal Road, Mirpur

### MULTAN

Main Branch

64/2, Abdali Road Opp. Honda Breeze

### Qasim Road Branch

76, Qasim Road, S.P. Chowk

### PESHAWAR

Main Branch

Lamsy Arcade, 1-C, Fakhar-e-Alam Road, Peshawar Cantt.

### Khyber Bazaar Branch

Haji Khan Building, Suikarno Square, Khyber Bazaar

### QUETTA

Firdousi Building, Jinnah Road

### RAWALPINDI

Main Branch

Aslam Plaza, 60 Main Adamjee Road, Rawalpindi Cantt.

### Bahria Town Branch

91, Civic Center, Bahria Town

### Chaklala Branch

Plot # 46, Commercial Area, Chaklala Scheme-III

### Satellite Town Branch

D-321, Fifth Road, Satellite Town

### Westridge Branch

Plot # 488 to 491, Westridge Bazaar Road, Westridge-I

### RAHIM YAR KHAN

26, Shahi Road

### RAIWIND

Railway Road

### SAHIWAL

Jail Road, Opp. Jinnah Hall

### SARGODHA

Main Branch

Khayyam Chowk, Gulberg Park

Pull-111 Branch

Pull-111, Sargodha-Faisalabad Road

### SHEIKHUPURA

Sharif Plaza, Main

Lahore-Sargodha Road

### SIALKOT

70, Paris Road

### SUKKUR

Husaini Road

### WAH

Plot # 1, Shop # 37/A, Aslam Market

